

WORKING PAPER #1  
Population, Demographics, Employment, and the Real Estate Market



City of Santa Clara | September 2008

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Estate Market



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# EXECUTIVE SUMMARY

The following are the principal conclusions and recommendations for the City of Santa Clara based on the evaluation presented in this report:

- The city is strategically positioned, by virtue of proximity to employment centers in the region and to virtually all modes of transportation, for mid- to high-density urban development during the projection period (through year 2035)
- Projections by the Association of Bay Area Governments (ABAG) indicate strong gains in population and income in the market area through 2035. The projections anticipate an increase in the employment base of the city in excess of 50,000 and an increase in population in excess of 30,000.

The implications for the City of Santa Clara, once recovery from the current recession takes hold, are as follows (amounts are inclusive of projects presently planned or under construction):

**Residential** – The high levels of population and employment projected for the market area and the positioning of the city in the region bode well for a relatively fast recovery of the housing market in Santa Clara and continued demand for new residential product throughout the projection period. Shortage of land supply and consequent high cost of sites will funnel major increments of development into mid to high density configurations, including but not limited to the Station Area and downtown. The baseline demand for new units over the period to fulfill ABAG projections is 11,900 units. If the regional jobs/housing ratio, which is much lower than that of the City of Santa Clara, is applied to employment growth in the city over the period, the metric for new residential development is 28,300 units.

**Retail** – The local and regional markets are highly competitive, with a large inventory of strong retail/commercial centers. A notable build-out of both employment and housing in the city will be the basis for the success and sustainability of the retail demand of 1.0 million square feet of Comparison Retail and 300,000 square feet of Convenience Retail; the latter, anchored by a supermarket, would serve presently underserved neighborhoods in the city. Much of the retail space has been identified for the Station Area, and an increment for the downtown.

**Entertainment/Cinema** – The Santa Clara theater market is highly competitive, with an estimated 44 screens; it is difficult to forecast successful entry of a new operation, even with a notable buildout of proposed/planned residential projects in the city, apart from a possible arts cinema of several screens that could be developed in the longer-term horizon. A more viable alternative may be brew pub/restaurant and/or sports club operations that can attract a local mix of area residents, employees, commuters and the University community in Santa Clara.

**Office** – The City of Santa Clara's strategic location and inclusion in the largest office submarket in Santa Clara County could enable it to capture its share of demand over the projection period of the General Plan. However, the amount of space that is planned and under-construction in the city exceeds the projected demand over the General Plan period (2008 to 2035); in these projections, we assume that the 12 million square feet of space that are planned or under construction will meet the demand over the projection period.

**Industrial (Research and Development, Manufacturing, and Warehouse)** – Demand for these uses reflect the city's position as an economic powerhouse in the region. In each instance, there is an established medium to long-term trend line of successful absorption of space. Over the projection

period, these uses could account for 20-25 million square feet of space, with R & D and manufacturing accounting for the bulk of demand.

**Data Centers** – Santa Clara is extremely well-positioned to host data centers, due to high connectivity in the city and low power rates. Industry sources suggest that this use will gain in prominence in the years ahead. Based on a straight-lining of trends since early in this decade, when these centers began to emerge in Santa Clara, the projected demand through 2035 would be for 6.3 to 9.4 million square feet for this use, which has been built in increments averaging about 120,000 square feet. It is likely that trends affecting the tech sector will skew the trend in ways that now cannot be foreseen, but industry studies suggest that recent experience might understate future demand.

**Hotel** - There are excellent opportunities for significant buildout of hotel products in the city of Santa Clara as they can capitalize on the strong employment base and the high accessibility to nearby airports (Oakland International and Norman Y. Mineta International Airport). The analysis indicates a potential demand for about 2,200 rooms over the projection period, to augment (and partially replace) the existing inventory of 8,000 rooms in the city and vicinity.

A summary of the projected demand for the above land use categories is presented in the following table, indicating potential land requirements at representative densities. The build-out of the uses noted above and summarized in the following table would yield employment growth that is about twice that projected by ABAG (Projections 2007), since the metrics in this report are not assumed to be constrained by policy considerations or potential site availability. The demand for manufacturing and warehouse land is deemed sensitive to higher land values and appears particularly susceptible to a lower level of development than envisioned in this analysis. In addition, the demand for land for data centers reflects recent experience only, and there is the possibility that demand could be susceptible to factors affecting the tech sector that cannot now be foreseen.

The following report provides the basis for the conclusions presented above.



**City of Santa Clara General Plan Update**  
**Summary of Land Use Demand Potentials Through 2035**

<i>Land Use</i>	<i>Demand Metric through 2035 1,2 (Units/SF)</i>	<i>Typical Density/ FAR</i>	<i>Land Requirement (Acres)</i>	<i>Comment</i>
Residential				
Low	11,900 Units	40 DUs/Acre	150	Based on ABAG 2007
High	28,300 Units	40 DUs/Acre	710	Assumes lower j/h ratio
Retail (All Types)	1,3000,000 SF	0.5 FAR 4	60	
Office	12,600,000 SF 3	1.0 FAR	180	
R & D	12,000,000 SF	0.3 FAR	760	
Manufacturing	7,300,000 SF	0.5 FAR	330	Land value/costs could constrain
Warehouse	2,500,0000 SF	0.7 FAR	80	Land values could constrain.
Data Centers	7,800,000 SF 5	0.5 FAR	360	Based on recent trend.
Hotel	2,200 Rooms	100 Rooms/Acre	15	
Total/Low			1680	
Total High			2090	

1. Amounts include projects proposed, approved, under construction.
2. Amounts rounded from text.
3. Includes only approved and proposed projects, which exceed demand projections.
4. Assumes some structured parking.
5. Average of low/high projections for this use.



# Introduction and Purpose

## 1.1 INTRODUCTION

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Santa Clara County is the center of northern California's high-tech revolution that began in the 1960s and reached its most recent peak in the late 1990s. The industrial corridor running along the South Bay from Palo Alto east remains today the major concentration of electronic and computer industry in the United States and comprises the heart of the Silicon Valley. A Mediterranean climate; excellent employment opportunities; central Bay Area location; and a variety of natural, cultural and urban amenities make the County a popular residential center as well.

The City of Santa Clara is located in central Santa Clara County and is strategically located in proximity to two international airports and the confluence formed by the region's three major highways. Founded in 1777, the city was incorporated in 1852. It has an estimated 2008 population of 115,508 and is among the fastest growing cities in Santa Clara County. It is home to the headquarters of Intel, Applied Materials, Sun Microsystems, NVIDIA, Agilent Technologies, and other high-tech companies, as well as Mission College, Santa Clara University, and Great America, a major amusement park and destination.

These factors suggest that the City of Santa Clara is well-positioned to capture a significant share of the region's future growth. As a reflection of the challenges posed by future growth, the City of Santa Clara has retained the team of Dyett and Bhatia to prepare an update of the city's General Plan, which was last comprehensively updated in 1992. As input to the General Plan's land use component, Keyser Marston Associates (KMA), Inc., economic consultant to Dyett and Bhatia, has prepared this market analysis to provide input on the potential demand for various land uses over the 25-year projection period of the General Plan Update (2010 to 2035.)

## 1.2 PURPOSE

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The purpose of the market evaluation is to identify the market potential over the horizon of the General Plan for the City of Santa Clara, inclusive of these uses:

- Residential
- Retail
- Entertainment
- Office
- R & D
- Manufacturing
- Warehouse
- Data Centers

These potentials are based on an analysis of the underlying demographic and economic trends and the requirements for market feasibility.

Reviewers should bear in mind several factors regarding the study:

- This study is not focused either on specific development sites or an optimal mix of uses that reflects a “holding capacity” for the city in respect to development. Reviewers should not, therefore, conclude that all of the development that has potential market feasibility could be accommodated in the city at representative (or other) densities of development.
- Similarly, the evaluation does not assume a limitation on development resulting from a shortage of sites or land value considerations that could make some uses such as warehousing less viable in the future.
- Although the market commentary considers current conditions, the focus is on the long term; therefore, the current disarray of the residential market is not a factor in the projections.
- The estimates of future demand are presented “gross” and “net.” The former is demand irrespective of projects in the pipeline. The latter is demand exclusive of projects that are now proposed, approved or under construction, which include proposed development in the Santa Clara portion of the Santa Clara Station Area, prospective development of a mixed use project downtown, build-out for office of lands under lease by the city to The Irvine Company, and other projects identified in the accompanying text and on Table 9.
- All dollar estimates presented in this analysis are in constant 2008 dollars.

# Population, Demographics, and Employment

The urbanization of Santa Clara County began in earnest with the industrialization that followed WWII. The County has continued to be a center for population and employment over the past several decades with the development and continued growth of Silicon Valley. The City of Santa Clara's central location in the County and region, availability of industrial land along the South Bay corridor, and the existence of an educated and highly-skilled labor force have allowed the city to capture a large share of the County's employment and population growth.

## 2.1 POPULATION AND DEMOGRAPHICS

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Santa Clara County is the fifth most populous County in the State, with a population of 1.8 million persons. The City of Santa Clara accounts for about 6 percent of the County's population.

ABAG's Projections 2007 (see Table 1) indicates that population in both the County and the City has continued to grow over the past five years, though at a slower rate than in the previous decade due largely to the dot com bust/recession that occurred early in the decade.

Table 1 summarizes the demographics for Santa Clara County and the City of Santa Clara, including race and age. As indicated, 54 percent of Santa Clara County's population in 2000 was Caucasian, three percent African-American, one percent American Indian/Alaska Native, 26 percent Asian/Pacific Islander, 12 percent some other race, and five percent two or more races. Hispanics of all races made up 24 percent of the County's population. Racial distribution in the City of Santa Clara was generally similar to that of the County, though the city's Hispanic population represented only 16 percent of its residents.

Diversity increased dramatically in the City of Santa Clara from 1990 to 2000, with minorities growing from 26 percent to 44 percent of the population. The proportion of the Hispanic population (of any race) in Santa Clara grew from 15 percent to 16 percent during this period. Asians and Pacific Islanders and persons belonging to other races led the diversification in the city. The only minority group to lose representation during the decade was African-Americans, whose numbers decreased slightly as a proportion of the overall population in Santa Clara.

Santa Clara County had an average household size of 2.9 persons in 2000, while households in the City of Santa Clara's were smaller with 2.6 people. There was a gradual increase in household size in the city from 1990 to 2000 due to the increase in Hispanics and other minority groups with larger household sizes as a proportion of the population. The median age of the County population in 2000 (34.0) was slightly higher than that for the City of Santa Clara (33.4). As with household size, the median age of the population increased from 1990 to 2000, reflecting the aging trend that is taking place throughout the Bay Area and the country overall.

Rapid population growth is expected to continue for Santa Clara County and for the city into the future. As shown on Table 2, ABAG projects Santa Clara County's population to increase to 2.4

million by 2035, representing growth of 35 percent over the 2005 base. This will be significantly faster than the Bay region's projected growth of 27 percent for the same period. The City of Santa Clara will grow at a similar pace to the County according to ABAG, for a 34 percent increase in 2035 over the 2005 base. Milpitas and San José are the only cities in the County expected to grow faster than Santa Clara, with 48 percent and 43 percent, respectively, projected increases in residents by 2035. The population in the City of Santa Clara will represent an increasing share of the County's residents: from 1.5 percent in 2005 to 1.9 percent in 2035.

## **2.2 EMPLOYMENT**

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Santa Clara County is one of Bay region's major job generators. The County's employment market is driven by the technology sector, which benefits from a central Bay Area location, easy access both by road and two international airports (Oakland and Norman Y. Mineta International Airport), and proximity to a highly educated labor force. The presence of multiple international technology companies, including Intel, 3Com, Cisco, Applied Materials, and IBM, stimulates and sustains high-tech growth in the Silicon Valley, as well as creating synergies for knowledge exchange. The high-tech business sector also benefits from the presence of nearby universities, including Stanford, Santa Clara University, and San José State. Health services and product providers are major contributors to the County's job base and the sharing of ideas that takes place here as well.

Santa Clara County provided 28 percent of the Bay region's employment in 2000, or 1.0 million jobs, according to ABAG (see Table 1). The City of Santa Clara accounted for nearly 13 percent, or 132,000 jobs, of the County's employment in that year. The city added 24,000 jobs from 1990 to 2000, from 108,000 to 132,000 jobs, a 22 percent increase. Following the dot com collapse in the early part of the decade, ABAG estimates show reductions in jobs across the board in 2005, with County employment at 873,000 and the City of Santa Clara's at 105,000 (see Table 4). Employed residents were 734,000 in the County and about 50,000 in the City of Santa Clara in 2005 as shown in Table 5.

Data from ABAG projections indicate that the jobs to employed residents ratio in Santa Clara County was 1.2 in 2005, compared to 1.1 in the Bay region overall. This reflects the area's strong contribution to employment region-wide. The City of Santa Clara's ratio was even higher, at 2.1, demonstrating the city's role as a regional employment center.

In 2005, an estimated 30 percent of jobs in the County were in the Manufacturing, Wholesale, and Transportation sectors, compared to 43 percent in Santa Clara. Twenty-eight (28) percent of the employment in the County could be attributed to Health, Education, and Recreational Services, with only 18 percent in Santa Clara. The County's third-largest employment sector was Financial and Professional Services, with 19 percent of total jobs; the City of Santa Clara had a similar proportion of jobs in this sector.

Of the top private employers in the City of Santa Clara shown on Table 7, nearly all are involved in computers and electronics, including the manufacture of semiconductors and electronics, and development of computer networking systems and software. The major employers also include one major medical center (Kaiser Permanente), one educational facility (Santa Clara University), and such internationally known firms as Applied Materials, Intel, 3Com, Sanmina-SCI, Hewlett Packard, National Semiconductor, and Nortel.

Despite the downturn in employment experienced throughout the County as a result of the dot com collapse, ABAG expects County jobs to recover their 2000 levels by 2010–2015 and resume their upward climb, reaching 1.4 million jobs by 2035, an increase of 56 percent over the 2005 base. ABAG projects that the number of jobs in the City of Santa Clara is expected to increase by 49 percent, or approximately 52,000 jobs, over the same period. With these projections, the city will account for a slightly smaller share of County jobs in 2035 than in 2005: 11 percent in 2035 as compared to 12 percent in 2005. ABAG's job projections by sector for the County and Bay region are shown on Table 4.

Employed residents (see Table 5) are expected to increase steadily in the County, growing from 734,000 to 1,327,000 between 2005 and 2035 (an increase of 81 percent). The City of Santa Clara is projected by ABAG to follow a similar trend, with the number of employed residents growing from 49,000 in 2005 to 88,000 in 2035, for an increase of 65 percent. The city's share of employed residents is expected to remain unchanged, or at about 6.7 percent, of the County's total between 2005 and 2035. The number of employed residents in the Bay Region is expected to grow 56 percent over the same period, with the city's share of employed increasing from 1.5 percent in 2005 to 2.2 percent in 2035.

ABAG expects the Health, Education, and Recreation Services industry sector to overtake the Manufacturing, Wholesale and Transportation sector in Santa Clara County by 2035: with 410,000 jobs in the former and 342,000 jobs in the latter. The City of Santa Clara's leading sectors are projected to remain Manufacturing, Wholesale and Transportation. Financial and Professional Services is anticipated to follow with 278,000 jobs in 2035, followed by Financial and Professional Services and then Health, Education, and Recreational Services.

The County's jobs-to-employed-residents ratio is expected to decline slightly to 1.0, or about the same as that of the Bay region's ratio. The City of Santa Clara's ratio is also expected to decline to 1.8 as the city's employment areas build out and residential growth continues, but still to remain far greater than that of the region or County.





# Market Assessment

This section provides a summary of recent trends and conditions in the major real estate market segments, an assessment of expected future demand and supply, and a projection of future demand in the city.

The assessment is based on market data culled from a variety of sources, including the City and Redevelopment Agency of Santa Clara, Santa Clara VTA, California Industry Research Board (CIRB), California State Board of Equalization (SBE), ABAG, NAI BT Commercial Real Estate Reports, proprietary KMA data, and other real estate industry data.

The current situation is that the real estate market in Santa Clara County was just beginning to recover from the dot com collapse in the early years of the decade, led by the phenomenal strength of the residential and retail markets and followed by the office/Research and Development and hotel markets. The recent problems created by the housing and credit markets, however, have stalled this recovery. As it is extremely difficult to anticipate the duration and full impact of the current recession, this analysis assumes that, in time, the economy and markets will experience some recovery, consistent with the cyclical nature of the real estate market. A discussion of the factors affecting historic trends and existing conditions in each of the market sectors and their implications for the future of the city of Santa Clara is provided below, with support tables and charts.

## 3.1 RESIDENTIAL

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The Santa Clara County housing market, despite some fluctuations, generally experienced solid growth between 1990 and 1999/2000. After 1999/2000, housing-permit activity declined throughout the County as a result of the combined impact of the high-tech job loss from the region and the onset of the nationwide economic recession. The market stabilized in 2003, with the permitting of a number of major projects, such as the Rivermark, a large master plan development in Santa Clara that has subsequently been built. This multi-use development was approved for 3,020 housing units at buildout.

### HOUSING PROFILE

There are an estimated 44,100 housing units in the City of Santa Clara, according to estimates from the U.S. Census and American FactFinder 2006, of which an estimated 52 percent are rental units. The percentage of rental housing is higher than the approximate 40 percent in both Santa Clara County and in the State. The 2005 overall vacancy rates in both the City of Santa Clara and in Santa Clara County of about 4 percent are indicative of the tight housing supply in the City and the County.

The majority of the rental units in the City of Santa Clara are 2-bedroom (49 percent) and 1-bedroom (45 percent). Unit sizes range from 422 square feet for a studio to 1,204 square feet for a 3-bedroom townhouse, with the average at about 900 square feet. Average rents have been increasing since 2000 and are reportedly in the range of \$1,810 per unit per month, or \$2.00 per square foot per month, as of the 1st Quarter of 2008, based on data from RealFacts.

The new units are typically higher-density, infill developments, ranging in density from 19 units to 45+ units per acre, with the average around 25 units per acre. Higher densities are encouraged for sites near major transit nodes and/or in mixed-use projects (See Table 9).

### SANTA CLARA UNIVERSITY

Santa Clara University has been a significant generator of housing demand. Enrollment at Santa Clara University has remained relatively stable over the last decade. As of fall 1995-96, total enrollment at the University was reported at 7,654; as of 2005-06, total enrollment was estimated at 7,801 (4,539 undergraduates, 2,332 graduates, and 930 law students). An economic and community impacts report prepared by Economics Research Associates (ERA) in 2003 indicated that approximately 41 percent of the undergraduate students lived off-campus, 80 percent of whom do not live with their parents. Of the graduate students, an estimated 25 percent lived off-campus. An estimated 86 percent of law students also lived off-campus. Approximately 10 percent of students live in the neighborhood immediately adjacent to campus. In addition, the report estimated that, as of 2003, about 27 percent of the University's full-time faculty and staff lived in the City of Santa Clara.

Assuming the same percentages above of students living off campus for the 2005-06 student population at the University, the estimated total number of students living off-campus would be about 2,900, as follows:

<i>Number of 2005-06 Students</i>	<i>Total Students Requiring Off-Campus Housing</i>	<i>Percent Requiring Off-campus Housing</i>
4,539 Undergraduate	1,489	80% of 41%
2,332 Graduate	583	25%
930 Law Students	800	86%
7,801 Total Students	2,870	

Assuming further a minimum of two students per rental unit, the University would generate housing demand in the range of 1,500 units. Additionally, there were an estimated 1,230 full-time faculty and staff working at the University as of fall 2005, of whom about 330 (assuming the 27 percent estimated in ERA's 2003 report) are estimated to live in the City of Santa Clara. Although Santa Clara University has been a significant generator of housing demand in the past, housing demand related to future enrollment has not been projected by the University.

### FUTURE RESIDENTIAL

Job creation has outpaced housing construction for more than a decade in the Bay Area, creating a severe shortage of housing that is expected to keep demand strong in the foreseeable future. As of 2005, the ratio of jobs to employed residents was estimated by ABAG at 1.2 in Santa Clara County as a whole and 2.1 in the City of Santa Clara (see Table 6). For the City of Santa Clara to achieve a ratio equivalent to that for the County in 2005, an additional 13,000 units would be required, excluding demand resulting from future increases in employment. Between 2000 and 2005, building permits were issued for only an estimated 3,300 residential units in the city.

Although Santa Clara County lost an estimated 140,000 jobs as a result of the dot com debacle in early 2000, the strength of the pent-up demand and record-low interest rate helped maintain the momentum of the residential market in the region. Between 2000 and 2005, an estimated 36,700 residential permits were issued in the County (see Table 8). Of this total, an estimated 9 percent (or

3,298) were in the City of Santa Clara. The decline of the housing market nationally and locally, however, has impacted the Santa Clara market, as evident in the slowdown in absorption rate of more recent for-sale projects in the city, as shown on Table 10.

Underlying the future strength of the housing market is the region's projected employment growth. ABAG's projections for the City of Santa Clara and Santa Clara County are for strong double-digit job growth between 2005 and 2035 (49 percent in the city and 56 percent in the County). Thus, the strong job growth will likely sustain the Santa Clara housing market in the future, with the feasibility of future housing development at specific points in time tempered by the uncertainty of interest rates, home prices, construction costs, and the viability of the credit market.

### **IMPLICATIONS FOR THE CITY OF SANTA CLARA**

A key factor supporting residential development in the city is the high employment density in the area (495,000 employees within approximately five miles of downtown). The major concentration of office/Research and Development developments constitutes one of the major employment nodes in the Silicon Valley whose continued growth will be a major generator of housing demand in the City of Santa Clara in the future.

According to ABAG Projections 2007, 709,000 households will be added to the Bay region by 2035. Nearly one-third of this new demand, or 210,000 units, will be in Santa Clara County. The latent demand for new housing will be tempered by the uncertainties of future interest rates, home prices, and construction costs. It will also be affected by the shortfalls in available sites. However, given the factors that strongly favor development in the City of Santa Clara (i.e., regional accessibility via major modes of transportation, high employment density, availability of skilled labor supply, low utility costs) and the large increases in population and employment forecasted for the region, the long term development prospect for new housing development in the city is favorable. High land prices and projected persistent imbalance in jobs and housing in the City of Santa Clara will continue to encourage higher-density developments for projects. Essentially, future residential development opportunities will be constrained by site availability and achievable density rather than by market factors.

Table 12 provides alternative projections of residential build-out for the City of Santa Clara over the projection horizon of 2035. The first projection is based on the number of new households projected by ABAG for the city, with minor adjustments to reflect a vacancy allowance and currently available units and indicates a gross demand for 11,900 dwelling units in the city. With subtraction of units planned for the Station Area, in the downtown mixed use project, and in other projects planned in the city, the net demand with this approach is 5,500 units. Alternatively, Table 12 provides a projection that assumes that the jobs/housing ratio for new jobs that will be provided in the city will approximate that for the County, at 1.7 jobs per household. With this approach, the gross demand metric is 28,300 units, and net demand (reflecting the same deductions for planned projects as identified above) is 23,100 units.

### 3.2 RETAIL

The City of Santa Clara has a firmly established regional retail presence in the Bay Area, due primarily to the highly successful Westfield Shoppingtown at Valley Fair (1.5 million square feet), a super-regional center located in both Santa Clara and San José. Westfield's success is enhanced by the close proximity to Santana Row (563,000 square feet) in San José. Other nearby major centers include Westgate Mall (640,000 square feet) in San José, Cupertino Square/Vallco Fashion Park (1.1 million square feet) in Cupertino, Great Mall of the Bay Area (1.3 million square feet) in Milpitas, and, in the future, the proposed renovated and repositioned Sunnyvale Town Center (1.0 million square feet). These six super-regional/regional centers are located within an approximate 5-mile radius from downtown Santa Clara. (See Table 13).

There is also one major power center: San José Market Center (362,000 square feet) and three smaller community-oriented centers: El Paseo Shopping Center (340,000 square feet), Mercado Santa Clara (211,000 square feet), and Mervyn's Plaza (262,000 square feet) within an approximate 5-mile radius of downtown Santa Clara.

Together, existing centers represent a total inventory of an estimated 7.3 million square feet of competitive retail within a 20- to 30-minute driving time distance of the city<sup>1</sup>. The City of Santa Clara, therefore, is located in a highly-competitive retail environment and is well-served by existing retail.

For the purpose of this analysis, the trade area for comparison retail goods (apparel, general merchandise, specialty retail, and home furniture and furnishings) is defined as Santa Clara County, excluding the cities of Gilroy and Morgan Hill, which are beyond the approximate 20- to 30-minute driving time typically defined for this type of retail. For convenience retail, the trade area is defined as the area within a 10-minute drive time, as the local population tends to shop for convenience goods close to home.

#### TAXABLE RETAIL SALES

Despite the City of Santa Clara's ability to attract major retail developments, retail sales have not yet recovered from the decline that followed the collapse of the dot coms in 2000–2001. According to the State Board of Equalization (SBE) Taxable Sales Report, total retail sales in the city have declined between 2000 and 2006. (Note: Taxable retail sales data are tabulated by the SBE based on the location of sales in the separate municipalities.)

As shown in Tables 14 and 15, total taxable retail sales declined approximately 9 percent in the City of Santa Clara, compared to an increase about 1 percent in the County, between 2000 and 2006. When all taxable sales (e.g., business and professional services, non-store retailers, manufacturers and wholesalers, social and health services, and other outlets listed in Appendix A) are included, total taxable sales decreased nearly 15 percent in the City of Santa Clara, compared to a County decrease of 14 percent. Some of this decline is probably due to Internet Sales. (See Table 14.)

The largest decreases in retail sales over the 6-year period in the City of Santa Clara were in the categories of Home Furnishings and Appliances (-45 percent), Specialty Retail (-28 percent), and Other Retail Stores (-23 percent). Santa Clara also lost significant sales in Building Materials (-11

<sup>1</sup> As defined in the Shopping Center Development Handbook, 1999, for regional/super-regional shopping centers (which offer primarily comparison retail goods).

percent) and Drug Stores (-8 percent). The best sales performance was in Apparel (+49 percent), Food Stores sales (+13 percent), and Eating and Drinking (+9 percent). Sales in the County followed a similar trend, except in the categories of Building Material, Other Retail Stores, and General Merchandise, which posted gains during the same 2000 and 2006 period. When Business and Services and All Other Outlets<sup>2</sup> are included, the City of Santa Clara lost an estimated 15 percent of its respective 2000 sales as compared to a 14 percent loss in the County overall for the six years between 2000 and 2006.

While taxable retail sales decreased significantly in the city, the number of new retail store permits over the six-year period increased by about 98 outlets (?), as shown in Table 14, which indicates that average individual store sales have also declined between 2000 and 2006.

After adjusting to include the non-taxable sales portion of convenience goods sales (which typically represent about 70 percent of food sales), total 2006 per capita retail sales in the City of Santa Clara of \$19,576 were nearly 60 percent greater than those of the County, which totaled \$12,527. The strong per capita sales in the city can be attributed in large part to the Westfield center, which draws from beyond the city limits, and the large number of automotive dealerships (20 within one mile of downtown) in the city, as shown on Table 15.

On a per capita basis, Convenience Retail sales in the categories of Food and Drug stores, averaged approximately \$2,300 in 2006 for the city. This exceeded the County average of \$1,900 per capita. Comparison Retail sales in the city were approximately \$6,900 per capita or about 45 percent above the average for the County's \$4,800 per capita. Therefore, both comparison and convenience store sales were more heavily concentrated in the city than in the County overall.

## **FUTURE RETAIL**

In addition to the existing 7.3 million square feet of major shopping centers in Santa Clara County, there are also significant retail concentrations in the downtowns of nearby cities, such as in Palo Alto, Mountain View, Los Gatos, Campbell and Los Altos. Thus, the city is well-served by retail opportunities in its market area. The city also has tentative plans to add to its retail presence proposed developments of up to 130,000 square feet of pedestrian-oriented retail in the downtown mixed use project and up to 360,000 square feet of mixed use retail at the Santa Clara Station area. Thus, retail market conditions are likely to remain highly competitive in the future, which will limit additional retail opportunities in the city.

## **IMPLICATIONS FOR THE CITY OF SANTA CLARA**

As noted above, the estimated 7.3 million square feet of regional and community-oriented retail space are anticipated to be generally sufficient in meeting the retail needs of existing residents in the City of Santa Clara. Future demand will therefore be a direct function of the number of new residents and new employees generated in Santa Clara County, their retail expenditure patterns, and the relative retail strength of the city within the County. Following are the analyses for selected retail categories.

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<sup>2</sup> Includes all other Manufacturing, Wholesaling & Miscellaneous permittees (i.e., non-store retailers, temporary/part-time permittees of auto, boats and airplanes, cigarette vendors, health services, public utilities, etc.) as defined by the State Board of Equalization and in Appendix A.

### **Comparison Retail and Eating and Drinking**

For the purpose of this analysis, the city's trade area for Comparison Retail is defined generally as the County of Santa Clara, excluding the cities of Morgan Hill and Gilroy, which are beyond the typical 20- to 30-minute driving limit for Comparison Retail shopping trips. The expenditure potential for this type of retail is based primarily on trade area residents and visitors/tourists from outside of the trade area. Future growth in the major market segments and a projection of their respective expenditure potential indicates that there may be support for 980,000 square feet of additional Comparison Retail space. However, no net demand remains after development in the Station Area, the downtown mixed use project, and other projects in the City (see Table 16a). The key, however, in adding to this demand is the ability of the city to attract major anchors/sub-anchors not yet represented in the trade area. Given the current number of existing large retailers/anchors in the Santa Clara market (shown in Figure 1), it will likely be challenging to secure the niche retail majors needed to support the development of a major new Comparison Retail shopping concentration in the city in the future, in addition to those that may be attracted to a mixed use project downtown.

KMA's analysis also indicates that, as part of the space specified above, there is potential for approximately 200,000 square feet of net new Eating and Drinking space, such as restaurants, bars, and other entertainment-related dining places. The inclusion of these types of spaces within a shopping center, as amenities and support uses, will likely increase the center's chances for success and would no doubt be significantly represented both in the Station Area and in the downtown mixed use project.

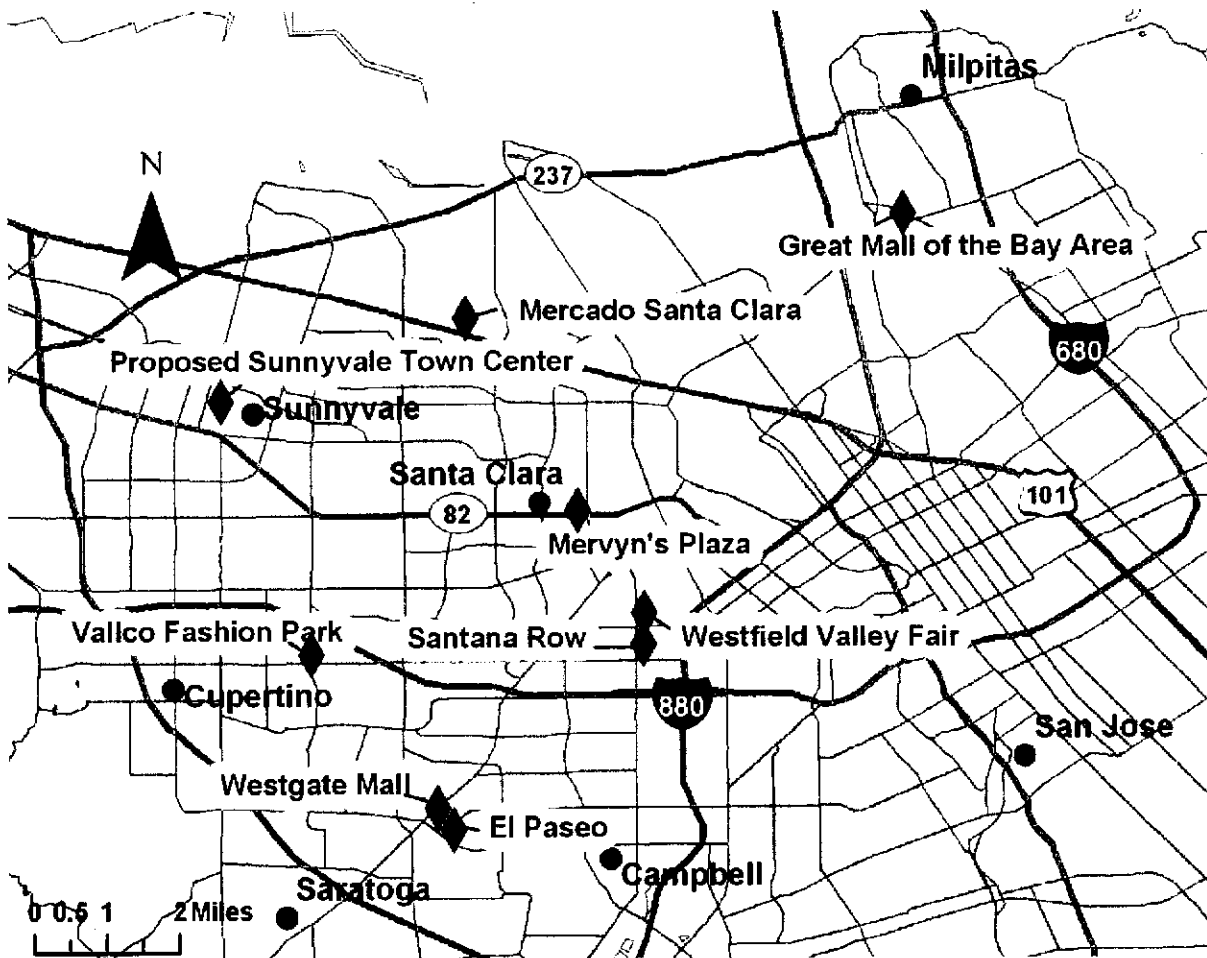
### **Building Materials**

For the purpose of this analysis, the trade area for Building Materials is assumed to be the same as the trade area for Convenience Retail goods, which typically serve residents within an approximate 10 minutes drive from home. This area is generally defined as the city itself. KMA's analysis indicates that there will be support from city residents for about 50,000 square feet of new Building Materials space in the city (see Table 16b).

### **Convenience Retail and Services**

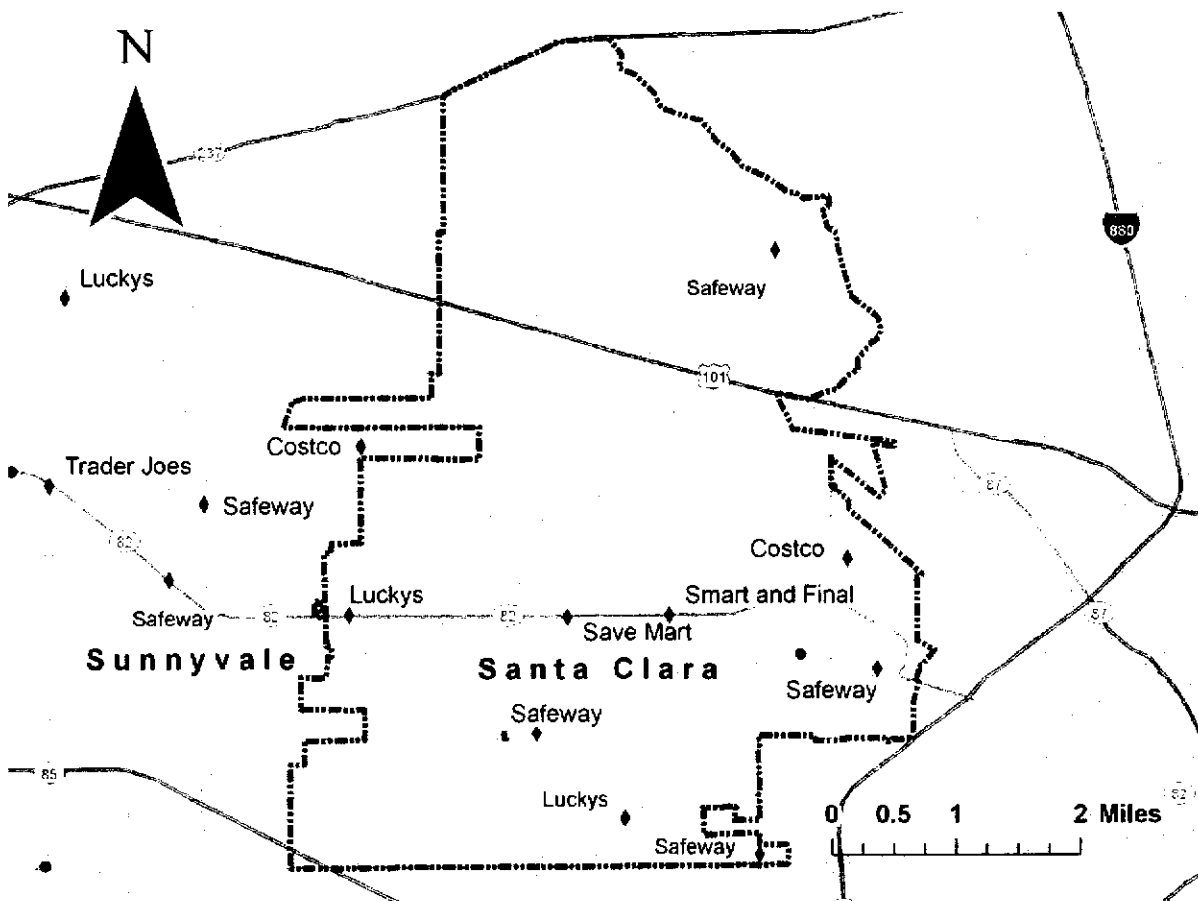
The trade area limits for Convenience Retail and Services is defined as an area generally within a 10-minute drive from where residents reside, which, for the purpose of this analysis, is the City of Santa Clara (Figure 2). As shown in KMA's analysis, the net expenditure potential from trade area residents and employees indicates that there will be gross demand for about 325,000 square feet of new Convenience Retail and Services in the city. If retail space in the Santa Clara Station Area Plan and the Downtown Plan, and other proposed space, is built, the net demand is a modest 60,000 square feet. Based on the location of existing and proposed Convenience Centers in Santa Clara, there appears to be a need for the location of one new center in the western part of the city, which currently has only one (Lucky's, at the NW corner of Lawrence and El Camino Real) major food store or supermarket in the area. The development might include 100,000 to 150,000 square feet of retail and service space oriented to the immediate population. In addition, there may be specialized opportunities at other locations for ethnic groceries, natural foods, and other niche outlets.

**Figure 1: Existing and Proposed/Planned Major Shopping Destinations in or near the City of Santa Clara**



Source: Keyser Marston Associates

Figure 2: Grocery Stores in Santa Clara / Sunnyvale



Source: Keyser Marston Associates, Inc.



### 3.3 ENTERTAINMENT

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Cinema is a frequent anchor for mixed-use retail/entertainment districts. About 70 percent of theater-goers also eat a meal as part of the entertainment trip, so restaurants/nightclubs are a frequent accompaniment to cinema as part of the overall package, as are bookstores, coffee shops, and other types of retail stores. If successful, cinemas can be highly-effective pedestrian and retail-activity generators. Thus this analysis focuses on the market demand for major entertainment as it will affect the performance of the complementary retail sales such as restaurants, nightclubs, and other entertainment venues in the area.

#### INDUSTRY TRENDS

The theater industry has undergone a period of major economic dislocation in the motion-picture exhibition industry, resulting in the bankruptcy of many chains in the late 1990s. In recent years the industry has successfully recovered, with most megaplexes today performing at a profit. According to data from the National Association of Theater Owners, the trendline for U.S. box-office revenues has been climbing steadily upward since the early to mid-1990s, despite having leveled off in the mid-2000s as the industry adjusted to growing competition from other technology seeking a share of household entertainment expenditure (such as DVD, cable television, movies-on-demand, and other interactive digital services). Key metrics for the industry for 2007, as compared to earlier years, are as follows (Source: Motion Pictures Industry Association):

- U.S. box-office receipts increased from \$4.6 billion annually in 1982 to \$9.6 billion in 2007. The 2007 total of \$9.6 billion represents a slight (one percent) increase from 2005's total box-office revenues of \$9.0 billion, and is over 14 percent higher than 2001's total of \$8.4 billion, reflecting the recovery of the theater industry relative to other, competitive technological movie media.
- The number of U.S. movie screens has witnessed a steady increase, from 35,280 in 2002 to 40,077 in 2007. The continuing popularity of megaplexes helped boost the number of total screens: in 2007, the number of megaplexes with 16 or more screens rose by 4 percent.
- Attendance at the movies continues to hold steady. The U.S. Entertainment Industry Market Statistic Report estimated movie admissions at slightly less than 1.4 billion in 2006 and slightly above 1.40 billion in 2007, or an increase of 0.3 percent.
- In 2007, the average price of a movie ticket in the U.S. rose to \$6.88, a 5 percent increase over the average price of \$6.55 in 2006. Despite the current economic downturn, the data suggests movies continue to draw more people than other entertainment options and remain the least expensive form of out-of-home entertainment. Adjusted for inflation, the average movie ticket today costs less than it did in 1977. According to the National Association of Theatre Owners (NATO), movie theaters do especially well during economic downturns; movie theater box office and admissions increased in five of the last seven recession years.

Based on industry sources, we have compared these basic national cinema metrics to those in the Bay Area and in Santa Clara County as shown in the following table:

#### Cinema Metrics

##### U.S. and 6-County Bay Area

	U.S.	Bay Area	Santa Clara County
Population Per Screen	8,012	9,902	11,377
Box Office Revenue/Screen	\$260,013	\$421,022	\$462,247
Box Office Revenue/ Per Capita	\$32	\$43	\$41

Source: NATO Industry Data (Nat'l Assoc. of Theater Owners), Dept of Finance, EDI Data, Census Data

## FILM ACQUISITION

A critical issue regarding cinema development is the ability of an operator to carve out a film zone at a specific location and show the same films at the same time as other exhibitors in surrounding venues. Movie theatres typically license motion pictures from distributors owned by major film production companies and from independent distributors that generally acquire licensing rights from smaller production companies. Films are licensed on a film-by-film and theater-by-theatre basis. Negotiations with distributors are based on several factors, including theater location, competition, season of the year and motion picture content. North American film distributors typically establish geographic film licensing zones and allocate available films to one theatre within that zone. Film zones generally encompass a radius of three to five miles in metropolitan and suburban markets respectively, depending primarily upon population density. In film zones where the theater operator is the sole exhibitor, the operator typically obtains film licenses by negotiating directly with the distributor. Otherwise, a distributor will either require the exhibitors in the zone to bid for a film or will allocate its films among the exhibitors in the zone.

Theater operators tend to position theatres so that they are either the sole exhibitor within a zone or the sole stadium-seating theatre within a zone, playing "day and date" in competition with older theatres within the zone. "Day and date" is the industry practice of having the same film open at more than one theater within the same zone or area. In practice, a theater becomes its own zone and may book films day and date with older theaters in the same market area. Industry experience has consistently demonstrated that the old theaters either close or become second-run in the face of the competitive advantage of a modern megaplex.

Thus, the number of competitive facilities within a trade area will directly impact a cinema's ability to play "day and date" and ultimately its feasibility.

## FUTURE CINEMA

Based on the comparison of the above metrics, the cinema market in Santa Clara County appears to be in reasonable supply/demand balance (Figure 3). As shown, box-office revenue per screen and box-office revenue per capita in the County are comparable to those in the Bay Area and are significantly stronger than those in the U.S. as a whole. Although the County's ratio of population per screen is higher than those in the Bay Area and the U.S., the addition of more screens into the market will likely impact the profitability of the existing facilities.

Securing a film zone will also be an issue given that two of the largest players, AMC and Century, are already operating a number of facilities in or near the City of Santa Clara. In addition, the economics

of new cinema development are frequently difficult in the Bay Area due to its high cost of development.

Another crucial issue is the cost of parking, which generally cannot be supported by cinemas. The feasibility of a cinema development in the Santa Clara market is therefore tied to an ability of the development to leverage existing parking resources in situations where other uses in the parking facility peak at times other than cinema attendance. For example, if the estimated 1,000+ BART parking spaces at the Santa Clara Station Area could be made available in the evenings and on weekends for retail and entertainment establishments, it could potentially improve the economic future of a new cinema.

The development of a new cinema in the City of Santa Clara will be challenging given the area's highly competitive market.

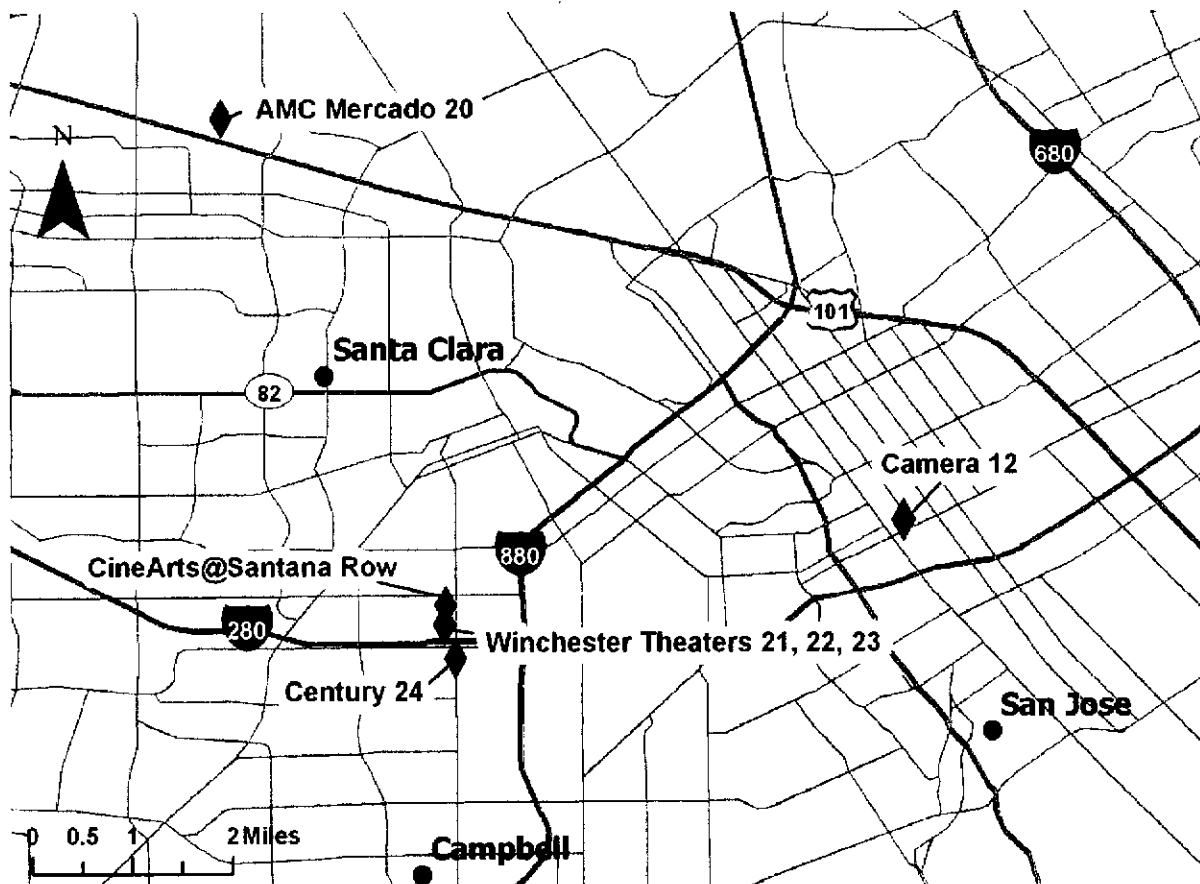
### **IMPLICATIONS FOR THE CITY OF SANTA CLARA**

Based on the cinema metrics for the U.S. as a whole, an estimated 8,000 people are needed to support a single screen.

As shown on Table 17, there are seven cinemas, with a total of 44 screens, in or near the City of Santa Clara. Five different theater operators are already represented in the area – including two of the largest, AMC and Cinemark – making it highly unlikely that another operator will be able to carve out an independent film zone in the city. The AMC at the Mercado in the city is also one of the highest-grossing suburban cinemas in the country and thus would represent significant competition for another operation in the Santa Clara market in the foreseeable future.

More viable alternatives to a new cinema in Santa Clara may be brew pubs/ restaurants and/or sports club operations that can attract a local mix of area residents, employees, commuters and the local university community.

**Figure 3: Existing and Proposed Cinemas in or near the City of Santa Clara**



Source: Keyser Marston Associates

### 3.4 OFFICE

The Silicon Valley office market, with a total of 70.9 million square feet, continues to demonstrate resilience as healthy businesses re-absorbed space vacated in the early 2000's. This consistent stream of demand for office space is chipping away at the estimated 8.1 million square feet of available office space in the Valley. As available space continues to be absorbed, the Valley's office vacancy rate also continues to decline – as shown on Table 18.

#### OFFICE TRENDS

According to NAI BT Commercial's First Quarter, 2008 Report on the Silicon Valley, the office market ended the year 2007 on an optimistic note with positive net absorption and continued, downward-trending vacancy rates. Vacancy in the Valley's office market fell from a high of 17.7 percent in 2003 to approximately 10.2 percent at year-end 2007. Over the same period, net absorption turned from a negative 740,000 square feet in 2003 to a positive 1,572,000 square feet for 2007. The absorption offset 1,417,000 square feet completed for the year. The bulk of the new construction, or about 793,000 square feet, was in Sunnyvale (Moffett Tower and Network Appliances); most of the remainder, or an estimated 538,000 square feet, was in the 101 Technical Corridor South. Asking rents have increased moderately valley-wide between 2003 and 2007, hovering around the \$2.76 per square foot range in 2007 as compared to \$2.36 per square foot since 2003, as shown on Table 19.

The bulk of the office activity in the Valley is concentrated in Central Silicon Valley (Sunnyvale, Santa Clara, and parts of San José - Norman Y. Mineta International Airport/North First Street, Alameda/Civic Center, and S. San José). The Central Silicon Valley submarket comprises approximately 48 percent, or 33.8 million square feet of the total Valley office inventory base. As of the First Quarter of 2008, this submarket had a vacancy of 14.1 percent, or a total of 4.8 million square feet, as compared to 10.4 percent in 2007. Since the 3rd quarter of 2007, office vacancy has moved up to 11.3 percent as a result of the newly-completed, speculative space coming on the market at the Moffett Tower project in Sunnyvale. Asking rent in this submarket is reportedly in the \$2.69 per square foot-per-month range, full-service, or a slight increase from the 2007 level of \$2.64 per square foot-per-month.

The City of Santa Clara continued to experience high vacancy (17.2 percent in the 1st Quarter of 2008), but boosted its absorption of available office space by a series of large transactions, including Yahoo!, WebEx Communications, EMC and Foundry Network. The most notable transaction in the City of Santa Clara in 2007 was the sale of the 419,000 square foot Santa Clara Towers to Tishman Speyer, and more recently, HQ Global Workplace's lease renewal of 25,000 square feet and the sale of a 40,000-square-foot property to BDP Properties/EGP Partners. As shown on Table 19, the total office space inventory in the City of Santa Clara comprises about 28 percent of the total inventory in the Central Silicon Valley and 14 percent of the total in the all of Silicon Valley.

#### FUTURE OFFICE

According to NAI BT Commercial, another 2.3 million square of new office space are scheduled to be completed during the remainder of 2008, most of which is located within the City of Sunnyvale. In addition, reflecting current recession concerns, several of the planned projects have been delayed and others are phasing in their completion.

Over a longer time horizon, the technology base in the City of Santa Clara, as well as the significant economic activity in North First Street Area in San José, will likely generate strong positive growth for office/Research and Development uses in the Santa Clara area. Rental rates in this submarket have also been among the highest in Silicon Valley. It is anticipated that the office market in the Valley will reassert itself once the national and local economies begin to recover. This potential is enhanced by the expansion plans of Norman Y. Mineta International Airport, which, when completed, will serve as another attraction for Silicon Valley's high tech companies.

### **IMPLICATIONS FOR THE CITY OF SANTA CLARA**

As shown on Table 20, ABAG's 2007 job projections for Santa Clara County indicate significant employment growth over the next 27 years, with gains of about 454,000 employees by 2035. Based on this growth scenario and State Employment Development Department's (EDD's) occupational data, KMA has estimated the number of office jobs that will likely be generated from the increase in total jobs as follows:

- Based on EDD's preliminary Industry Employment and Workforce data for San José-Sunnyvale-Santa Clara MSA, a total of 164,700 new office jobs are projected for 2035.
- The new office jobs will create a demand for approximately 41 million square feet of new office space by 2035, assuming industry ratio of approximately 250 square feet per office employee.
- Assuming that the City of Santa Clara will maintain its current share (14 percent) of the total office space inventory in the Silicon Valley (see Table 18), the total projected increase in future demand for office space in this submarket is expected to be in the range of 5.7 million square feet between 2008 and 2035. Assignment of this share appears reasonable, since the recent experience is that land availability has not constrained the introduction of new office product in the city.
- The total future office space demand projected for the city is adjusted by the amount of existing available space and major proposed/planned space plus a 5 percent allowance for normal vacancy, resulting in gross demand of 5.2 million square feet during the projection period
- As shown in Table 9, there are currently 2.9 million square feet of approved projects in the City of Santa Clara, and proposals for an additional 9.6 million square feet, in speculative and owner-user projects. It appears that these projects will meet the demands for primary office space well into the future.

### **3.5 RESEARCH & DEVELOPMENT**

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The rebound from the dot com years has been more difficult for the Research and Development sector than for the office sector in the Silicon Valley. Much of the second or third generation (or older) R & D space does not meet the needs of today's users, which consist predominantly of engineers, software designers, and other technology workers. These users typically require fully improved office space; thus, this "flight-to-quality" resulting from the requirements of today's tenants has effectively delayed the recovery of the Research and Development market in the Silicon Valley.

#### **RESEARCH AND DEVELOPMENT TRENDS**

According to NAI BT Commercial's First Quarter 2008 Research and Development Silicon Valley Report, conditions for the 153 million square foot Silicon Valley Research and Development market has improved, as much of the competitive high-quality space has been leased and Research and Development owners better position vacant properties to meet demand. The report also cited increased demand from a broader contingent of Silicon Valley companies and improved economic conditions favoring more employment growth in the Valley.

The increased demand translated into sizable gains in terms of absorption and a decline in vacancy rate of Research and Development space in the Silicon Valley. As shown on Table 22, gross absorption of Research and Development space increased from approximately 17.8 million square feet in 2003 to 18.9 million square feet in 2007 in the Valley. In addition, net absorption in the last four years has been positive rather than negative, as it was for the three years prior. At the same time, vacancy has decreased, from 22.7 percent in 2003 to 16.6 percent at the end of 2007.

This pattern of improvement is also reflected in the absorption and vacancy experience of the City of Santa Clara, which has an estimated 21.8 millions square feet of Research and Development inventory. As shown on Table 22, gross absorption of Research and Development space in Santa Clara has regained its 2003 level, or at about 2.5 million square feet by year end 2007. The city had the third strongest net absorption (626,000 square feet) last year, after Milpitas (1.4 million square feet) and Sunnyvale (794,000 square feet). Despite these improvements, it should be noted that there are still about 24.6 million square feet of available Research and Development space in the entire Silicon Valley market, of which an estimated 10 percent, or a total of 2.5 million square feet, were still available in Santa Clara at the end of 2007, as shown on Table 21. The city also has the largest growth in sublease space, which added 200,000 square feet to the market, attributable to NetGear's 74,000 square feet relocation to San José.

Many of the recent Research and Development transactions occurred in the City of Santa Clara, including XenoPort's lease renewal and expansion (161,500 square feet), NVIDIA new leases (22,432 square feet) and purchase of the 10-building San Tomas Business Park (476,000 square feet), Data Domain expansion (100,300 square feet), and Eaton Vance Management purchase (218,400 square feet).

#### **FUTURE RESEARCH AND DEVELOPMENT**

The Research and Development market remains a tenant's market, with 24.6 million square feet available in the Silicon Valley and 2.5 million in the City of Santa Clara. In addition, another 954,000 square feet of Research and Development space has been approved in the city. There is also a significant amount of Research and Development space planned in the City of San José: the 2,313-acre master-planned Edenvale Technology Park in South San José and the 4,800-acre envisioned at

Rincon de Los Esteros in North San José. Thus, the Research and Development market in Santa Clara is anticipated to remain over-supplied in the foreseeable future.

Employment in the technology sector will need to increase significantly in order for the market to support new Research and Development space in the Silicon Valley. Another factor impacting the future of this market is the increasing transfer of out-sourcing of technology jobs to lower labor-cost countries off-shore. If this trend continues, it will further lessen the likelihood of any significant future demand for Research and Development space in the Valley.

### **IMPLICATIONS FOR CITY OF SANTA CLARA**

Some Research and Development space will likely be incorporated into office developments, in density configurations that are significantly greater than for traditional R & D. The historic trend line of net absorption of traditional R & D space in the City of Santa Clara, encompassing periods of boom and bust in the tech sector, is on the order of 450,000 square feet per year, which has been exceeded in the last several years. The annual metric represents a 2.1 percent increase over the space inventory in the first quarter of 2008. Projected outward over the projection period, about 12 million square feet of R & D space could be supported in the city. Net of current available inventory, some of which is obsolete second and third generation space, the likely parameter of demand is in the range of 10 million square feet.

### **3.6 MANUFACTURING**

The manufacturing market has been the steadiest industrial sector in the Silicon Valley. The stability of the market is attributed to the continual demand and limited availability of manufacturing space in the Valley. At the start of 2008, the Valley had a total inventory of about 66 million square feet of manufacturing space, with nearly three-quarters, or an estimated 46.9 million square feet located in the Central Silicon Valley (inclusive of the City of Santa Clara). The City of San José has the largest share of this subtotal, or 23.3 million square feet, followed by the City of Santa Clara at 11.8 million square feet. Together, the two cities comprise over half of the total manufacturing space in Silicon Valley and will likely continue to dominate the market in the future. Although an estimated 3.7 million square feet of this inventory are currently available, much of the available space is reportedly substandard and/or functionally obsolete.

#### **MANUFACTURING TRENDS**

According to NAI BT Commercial's Manufacturing Report for First Quarter 2008, the manufacturing market in the Silicon Valley has remained very stable for the last seven consecutive quarters, with overall vacancy below 6 percent. Despite its slow market activity, manufacturing space vacancy in the City of Santa Clara stood at 4.3 percent, with an estimated 505,000 square feet available, at the beginning of 2008.

#### **FUTURE MANUFACTURING**

The economic base of the city, as in the rest of the nation, has been undergoing transition from traditional manufacture activities, such as production, to jobs tied to the administrative, research and development, and marketing functions in manufacturing companies. As a result, older traditional manufacturing plants have closed and/or relocated out of the region while newer manufacturing uses have become more aligned with Research and Development/back office types of uses. Manufacturing uses also typically command a lower value, and thus are often unable to compete with higher value generating uses, such as residential or commercial. As a result, in spite of the strong underlying demand for manufacturing space in the Valley, high land costs and the scarcity of large, readily available sites will likely constrain future expansion of this sector in the region.



## IMPLICATION FOR CITY OF SANTA CLARA

The City of Santa Clara's share of manufacturing space is estimated at nearly 18 percent of the total inventory in Silicon Valley as of 2008. Manufacturing activities in the city will likely remain a dominant presence in the city's economy. KMA's analysis projects that demand for more than 7.0 million square feet of manufacturing space exists in the city between 2008 and 2035, as shown on Table 25. However, given Silicon Valley's high land costs, the city will unlikely be able to meet the estimated 7.3 million square feet of manufacturing space needed in that period.

It can be anticipated that as older facilities become outdated, transition of traditional manufacturing uses to non-industrial and/or higher value uses is likely to occur. Limited potential may exist for small, light industrial uses in the future if they are integrated as part of a larger development, such as a business or industrial park, or if they are relocated into recycled facilities. Prime candidates for new housing and/or existing uses which may be seeking to expand or relocate in the future are the industrial facilities west of Norman Y. Mineta International Airport, many of which appear older and outdated. These facilities may offer an opportunity for recycling, reuse, and/or upgrade.

### 3.7 WAREHOUSE

According to NAI BT Commercial, the warehouse market was one of the most active in Silicon Valley. At the start of 2008, it reported the lowest overall vacancy among the four major product types (warehouse, manufacturing, Research and Development and office). The total warehouse market in the Silicon Valley had a total of about 48 million square feet of space as of the end of last year. Of this total, the City of San José had the largest share, with an estimated 18.6 million square feet (or 42 percent). The City of Santa Clara's share is estimated at 9 percent of the total, or approximately 4.0 million square feet. Although vacant space in the Valley totals just over 2.1 million square feet in the 1st quarter of 2008, the available inventory has been reduced by an estimated 4 million square feet since 2004. Thus, indications are that the Valley's warehouse market is on an upward trend.

#### WAREHOUSE TRENDS

The Silicon Valley warehouse market posted single-digit vacancy for all its submarkets for the first time since 2003. The lowest vacancy rate reported was in South San José (2.5 percent), with Santa Clara coming in close (at 4.3 percent) to the average of 4.7 percent for the Silicon Valley overall.

Similar to the manufacturing market, the combination of a number of factors, including a limited amount of total available space, new warehouse products coming on line, high land values and high moving costs have resulted in warehouse users continuing to opt for renewal of current leases over the relocation of their businesses. In the last year, an estimated 50 percent of activity in the Silicon Valley warehouse market has been the renewal of existing, leased space – including Triple Play Services, Inc.'s renewal of approximately 134,000 square feet in Santa Clara.

#### FUTURE WAREHOUSE

Given the weakened U.S. economy and the falling dollar, the volume of future imported goods to the U.S. are anticipated to decrease as the U.S. consumers' purchasing powers decline. This decrease would be offset by an increase in export volume, as global demand for lower cost U.S. goods rises. This movement of goods is likely to require additional warehouse capacity at or near major modes of transportation, such as airports, ports and rail stations. Thus, as vacant warehouse space in the Valley is continually absorbed, the demand for new space will intensify. With Santa Clara's strategic location to two international airports, major freeways, and other transportation modes, the city is expected to share in the region's future demand.

## IMPLICATION FOR CITY OF SANTA CLARA

KMA's analysis projects warehouse space demand to total approximately 2.5 million square feet in the City of Santa Clara by 2035, equivalent to a 60 percent increase in the current inventory (see Table 28). However, as with manufacturing, high land costs and the scarcity of large, readily available sites will likely constrain future expansion of this sector in the Valley and in the city.

### 3.8 SPECIAL INDUSTRIAL CLUSTERS (DATA CENTERS)

A significant development trend in the industrial market since early 2000 is the rapid growth of data centers (also known as "internet hotels") in the Silicon Valley. These are facilities used to house computer systems and associated components, such as telecommunications and storage systems, as well as redundant or backup power supplies, redundant data communications connections, environmental controls (e.g., air conditioning, fire suppression), and special security devices. Given the high cost of installing this equipment, the use of data centers is often cost effective for meeting the requirements of corporate users.

#### DATA CENTER TRENDS

Data centers have their roots in the huge computer rooms of the early ages of the computing industry. Early computer systems were complex to operate and maintain and required specialized environments, extensive cabling and cooling systems.

During the boom of the microcomputer industry in the 1980's, computers started to be deployed everywhere, in many cases with little or no care about operating requirements. As information technology (IT) operations started to grow in complexity, however, companies grew aware of the need to control IT resources. With the advent of client-server computing during the decade of the 1990s, microcomputers (now called "servers") started to find their place in the old computer rooms. The availability of inexpensive networking equipment, coupled with new standards for network cabling, made it possible to use a hierarchical design which put the servers in a specific room inside the company.

The boom of data centers came during the dot com years as companies needed fast Internet connectivity and non-stop operation to deploy systems and to establish a presence on the Internet. Installing such equipment was not viable for many smaller companies. Many companies started building very large facilities, called "Internet Data Centers," or IDCs. While some of these centers are a part of a company's complex (server rooms), some have become stand-alone centers used by a single and/or multiple internet businesses. With the fast paced changes in technology innovations, the growth and expansion of these centers continues in leaps and bounds today.

#### Santa Clara Silicon Valley Power

Two of the key criteria in the location of a data center are the availability of low cost electrical power and available capacity. The Bay Area is among the top five preferred regional locations in the United States (New York/New Jersey, San Francisco/Bay Area, Chicago, Denver, Washington D.C.) for these centers.

The lowest power rate in the Bay Area is offered by Silicon Valley Power (SVP), a non-profit energy provider which owns and operates the electric utility in the City of Santa Clara. Its gas turbine plant has been able to offer electricity for the city and its residents at considerably cheaper rates than that offered by Northern California's dominant utility, Pacific Gas and Electric. As a result, the City of Santa Clara experienced a major data center boom in 2000 and 2001 and then a slow down when the dot com Downturn occurred, but has seen a significant increase again over the past couple of years.

According to SVP, there are 20 data centers in Santa Clara that are either complete or in the planning states. These data centers include co-location facilities, as well as facilities that are stand alone data centers for individual companies. They do not include small data centers that organizations have placed within their facilities and where the building's use is primarily for another purpose.

Total square footage of completed or planned data centers is approximately 2,324,000, or about 290,000 square feet per year, between 2000 and 2008. The data centers range in size from 28,000 to 300,000 square feet, with an average of 116,000 square feet per center. Currently, total peak demand is 90 megawatts (MW) for these centers, although this is not coincident peak on SVP's system. Expected total peak demand when all 20 facilities are fully occupied is 248.5 MW. This implies a potential energy need by these facilities of 158.4 MW over the next several years.

In 2000-2001, the number of data centers and other large load requests to SVP had already triggered some capacity upgrades to its system, so that SVP is now able to serve up to 1,000 MW through a combination of in-town generation, as well as out generation facilities outside of Santa Clara. SVP is currently at about 480 MW peak. Additional load could require SVP to build new generation, contract for generation, or buy on the market. All of these are possible and SVP has not put a limit on the types of customers locating within the city. SVP indicated that for large installations, it may work with individual customers under contracts to purchase power on their behalf, if necessary. Thus, based on the above, SVP appears to be able to find sufficient capacity for its future customers. The unknown factor is whether it will be able to maintain its current competitive rates if significant capital outlay is required in the future.

### **Prototypes**

SVP's experience with data centers in the Silicon Valley indicates that these centers generally average approximately 100,000 to 120,000 square feet. The floor-area-ratio (F.A.R.) of these facilities is about .5, and they are increasingly being developed as multiple buildings within a single project, rather than as stand-alone building. These centers can be up to three stories in height to accommodate generators that can sometimes be two stories high.

Given the preference of data centers to locate in industrial areas, a number of these centers are conversions of existing, older warehouses, which are less expensive to redevelop than to build as new facilities.

Parking requirements for data centers are usually lower than those for office buildings, reflecting the lower employment density typical of data center facilities (as most employees are equipment operators and/or maintenance workers employed by the businesses leasing the space.)

### Location Criteria

According to our research, data centers generally prefer the following:

- Given that data centers are regarded as “backup facilities,” users prefer to located them close to (within approximately 30 miles) but not next to user headquarters. In some cases, users may seek locations on the other side of the country from their headquarters in the event that a major disaster affects their headquarter site.
- Users require inexpensive electricity. Data centers are large energy users. For comparison, a typical office building uses 5 to 10 MG per net square feet, as compared to 80 to 100 MG for a data center. Thus, data centers are highly sensitive to energy pricing.
- Users require high connectivity to an extensive fiber optic network. Currently, these are concentrated in two internet hubs: the San José/Silicon Valley in the west and the New Jersey/Boston region in the east.
- Users prefer proximity to universities, research centers, or other high educational facilities, the instigators of technological innovations.

Other than the above considerations, data centers are highly flexible in their locations. However, data centers are generally found in industrial-zoned rather than residential-zoned areas; in industrial areas potential conflicts, such as noise, traffic and other environmental issues are minimized and security concerns can be more effectively addressed.

### FUTURE TRENDS

A number of recent industry surveys confirmed that there is a strong likelihood that the data center construction boom will continue in the foreseeable future. Although no statistical estimates are available, the surveys generally conclude that companies are looking for expansion and/or new development of data centers in the next several years. Examples of these findings are as follows:

A survey of Fortune 2000 companies completed by Search Data Center last spring indicated a majority of those surveyed would be involved in data center development/expansion.

A similar survey in May 2007 of senior decision makers who are either directly involved in data centers or who influence significant decisions related to data centers, commissioned by Digital Realty Trust (and undertaken by Campos Research), and confirmed in its most recent (May 2008) study, indicates:

- 86 percent of respondents will definitely/probably expand their number of data centers in the next 12 months, indicating an active phase of data center development during the second half of 2008 and first half of 2009. According to Digital Realty Trust’s CEO, “this is particularly significant... especially in the context of the current economic environment. Despite the challenging market conditions, companies are making major investments in IT infrastructure, reflecting the critical nature of these assets to today’s corporations.”
- 45 percent of respondents plan to expand in 3 or more locations. This is an increase of nearly 20 percent over 2007, indicating that the scope of data center projects has increased along with the number of projects.

- Planned square footage required for an average expansion site went up 50 percent from 10,000 square feet in 2007 to 15,000 square feet in 2008 – another indication that the scope of data center projects has increased significantly in the past year.
- The demand for data center space is accelerating and being driven by the rapidly growing IT infrastructure needs of companies across a wide cross-section of industries.
- Other findings from the research include:
  - Power usage of data centers continued to grow, with a 12 percent increase in average kW use per rack in 2008 over the 2007 metrics.
  - A higher percentage of companies reported that they expect to need the support of a partner for their data center projects. Only 26 percent of companies are planning a “do-it-yourself” approach to their data center projects.
  - Disaster recovery and Sarbanes-Oxley requirements were cited most frequently as key drivers for data center expansions. Power requirements, new applications, more physical space, connectivity needs and cooling requirements were also among the key drivers.
  - Among companies that are planning data center expansions
    - 83 percent plan to expand physical space
    - 77 percent plan to expand power capabilities
    - 76 percent plan to expand cooling capabilities.

These survey findings suggest that the growth of data centers will continue to be a significant land use trend in communities that meet the locational criteria for these centers, as noted above.

### **IMPLICATIONS FOR CITY OF SANTA CLARA**

Based on data provided by SVP, there are currently 20 data centers completed or planned in the city since the early years of the decade, or about two to three centers absorbed on the average per year. Assuming a straight line projection of this absorption rate, the projected demand for data centers over the next 27 years is about 54 to 81 new data centers at an average size of 120,000 square feet, for a total of 6.3 to 9.4 million square feet between 2008 and 2035. Changes in technology could, and are likely, to skew these requirements to an extent that cannot now reasonably be foreseen.

### **3.9 INDUSTRIAL USES IN THE CITY OF SANTA CLARA**

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The City of Santa Clara’s Zoning Code defines “Industrial” uses generally to include distribution warehouses, commercial storage, manufacturing, assemblage, packaging, processing and repair of equipments, materials, merchandise, or products, and retail or other uses incidental to these activities. Heavy industrial uses also include railroad yards, freight stations, trucking stations, public utilities, and outdoor storage.

Industrial uses in the City are concentrated in two areas: a large swath extending generally from Norman Y. Mineta International Airport on the east to the city boundary to the west, between Hwy 101 and the Caltrain tracks (Area 1), and a smaller L-shaped area north of the airport and south of Montague Expressway, between the city’s eastern border and Hwy 101 (Area 2). (See Figure 4.) Historically these two locations offer easy access to the transport of goods to the rest of the region as they are bisected by major expressways: the Central Expressway and Highway 101 in the east-west direction, and the Montague Expressway and the Union Pacific Railroad in the north-south direction.

Both areas also offer close proximity to the airport, which is critical to many of the airport support services.

Existing uses in the two areas are dominated by a mix of heavy and light industrial uses, many of which are housed in older facilities. Other uses in these industrial enclaves include office, Research and Development, and a small amount of commercial and public institutional uses. There are few vacant industrial parcels.

According to land use data provided by Dyett and Bhatia, there is a total of approximately 1,416 acres of heavy and light industrial uses on about 677 parcels in these two major industrial enclaves. Industrial buildings in the two areas average about 30,000 square feet, with an estimated floor-to-area (F.A.R.) ratio of about .35 on an approximately 2-acre site. Assuming average industrial employment density of one employee per 500 to 600 square feet of space, there would be 36,000 to 43,000 industrial jobs in the city based on the amount of industrial uses in the two areas.

### **INDUSTRIAL TRENDS**

The range of industrial jobs in the City of Santa Clara noted above is generally consistent with Claritas' estimate of 41,000 jobs in the category of Trade and Labor employment, which is inclusive of industrial and industrial-related occupations, such as construction, installation and repair, craft production, machine operators and assemblers. As shown on the accompanying Table 29, the city appears to have a somewhat higher concentration (33 percent) of employment in the Trade and Labor category relative to total employment than either the City of San José (26 percent) or Santa Clara County (26 percent).

According to ABAG Projection 2007, the number of Manufacturing, Wholesale and Transportation jobs in the City of Santa Clara is anticipated to grow by 25 percent, or 11,400 jobs, between 2005 and 2035, which points to continued vibrancy in the industrial sector.

### **IMPLICATIONS FOR CITY OF SANTA CLARA**

Most of the existing industrial uses, particularly those providing support services and/or requiring close proximity to Norman Y. Mineta International Airport, are expected to remain in the city. As some uses become obsolete over time or their expansion needs can no longer be accommodated in current facilities, industrial properties may transition to a higher value use, such as office and Research and Development. The most likely candidates for this transition would be the industrial properties in Area 2, north of Norman Y. Mineta International Airport. According to land use data from Dyett and Bhatia, existing light industrial uses in this area has an average F.A.R. of .38, which is approaching the intensity of Research and Development (average .37 F.A.R.) and office (average .45 F.A.R.) uses. Thus, the existing character of this area already reflects a higher use intensity, consistent with more of an office/Research and Development image than the traditional types of industrial use. The larger swath of industrial concentration in Area 1, west of the airport may be less conducive to change as it has a larger concentration of heavy industrial uses (25% of the total land area in the City) and a lower F.A.R. than the area north of the airport (10% of the total land area). (See Tables 30a & 30b.)



### **3.10 HOTEL**

The Santa Clara/Peninsula submarket is a significant location for hotels, due to several factors: (1) strong employment base, (2) strong regional access via the freeway system, and (3) proximity to the Norman Y. Mineta International Airport.

#### **HOTEL TRENDS**

As indicated in Table 29, historic trends in room and occupancy rates generally show a downward movement since 2000 but have begun to reverse in recent years. The Santa Clara/Peninsula submarket and the San Francisco Airport submarket are heavily dependent on air travel. Thus, these markets experienced a more dramatic decline in both average daily room rate (ADR) and occupancy rate than other submarkets in northern California as a result of post-9/11 cutbacks in air travel. As shown, between 2000 and 2007, the average daily room rate in the Santa Clara/Peninsula submarket declined 16 percent as compared to 5 percent for all of northern California. Similarly, the average occupancy rate in the Santa Clara/Peninsula submarket dropped nine percent as compared to six percent in the northern California market overall. (Source: PKF Consulting Monthly Reports, March 2008.)

However, the decline in both room rates and occupancy rates appears to have stabilized. As shown, average room rate per night in the Santa Clara/Peninsula submarket has risen from a low of \$103 in 2004 to \$149 as of March 2008, while occupancy has gradually increased from 55.8 percent in 2004 to nearly 70 percent over the same period. In the entire northern California market, average room rates have increased over \$30 (from \$113 per room per night in 2003 to \$148 in March 2008) and average occupancy rates have climbed from 63.7 percent to 68.2 percent, respectively, between 2003 and March 2008 (see Table 31.)

Thus, until the onset of the current recession, indications were that the hotel market was on the verge of a reversal from the decline that affected it at the start of the decade.

#### **FUTURE HOTEL**

The immediate outlook for the Silicon Valley hotel market is cautionary. Although no comprehensive statistics are yet available, there are indications that the economic slowdown may begin to decrease booking of corporate and convention activities. Reductions in the commercial/business segment of the market, however, may be offset by an increase in leisure and group travel due to the decline of the U.S. dollars against other currencies in the global market, which make travel in the US attractive. To date, hotel room demand in the Silicon Valley has come primarily from the employment growth in the region. The projected increase in employment in Santa Clara County is estimated at 454,000 between 2008 and 2035 (as shown on Table 20). An analysis of the relationship between hotel/motel rooms and regional labor force prepared by the Economic Round Table, a non-profit research group, estimates that approximately 3.2 rooms are generated for every 100 workers in the United States. Thus, the future increase in employment growth would translate into hotel/motel room demand of about 14,500 additional rooms by 2035 (454,000 new jobs divided by 100 x 3.2 rooms) in the County.

#### **IMPLICATIONS FOR CITY OF SANTA CLARA**

For a number of reasons, the City of Santa Clara is well-positioned to accommodate major hotel development that would augment the existing inventory of 7,993 hotel rooms (3,940 rooms in full-service hotels, 1,919 rooms in suite hotels, and 2,134 rooms in limited service hotels) in and near the city (see Tables 32a, 32b and 32c). Factors include the city's proximity to high intensity employment centers in the Silicon Valley, regional freeways, and two international airports (Oakland and Norman



Y. Mineta International Airport). The city also offers easy accessibility to multiple transit and transportation modes in the region.

Based on the city's share of the incremental employment growth in Santa Clara County through 2035, KMA estimates that the City of Santa Clara has the potential to capture 15 percent (or 2,200) of the 14,500 new hotel room demand projected for the County by 2035. This room demand is reduced by the hotel rooms (1,965) under construction or planned in the city, which includes approximately 1,777 rooms at the Santa Clara Station Area and an additional 188 rooms elsewhere in the city. Thus, the net new hotel room demand in the city is in the range of 240 rooms (2,200 total room demand less 1,965 rooms under construction or planned in the city.)

The number of rooms that could be achieved near term will be constrained by the current economic uncertainty, suggesting that the net new demand will likely materialize in the intermediate to longer-term horizon of 2035. Some of these rooms would replace older, existing facilities in the surrounding market area.



## Assumptions and Limiting Conditions

1. The analysis contained in this document is based, in part, on data from secondary sources such as state and local government, planning agencies, real estate brokers, and other third parties. While KMA believes these sources are reliable, we cannot guarantee their accuracy.
2. The findings are based on economic rather than policy considerations. Therefore, they should be construed neither as a representation nor opinion that government approvals for development can be secured.
3. Market feasibility is not equivalent to financial feasibility; other factors apart from the level of demand for a land use are of crucial importance in determining feasibility. These factors include the cost of acquiring sites, relocation burdens, traffic impacts, remediation of toxics (if any), and mitigation measures required through the approval process.
4. Development opportunities are assumed to be achievable during the specified time frame. A change in development schedule requires that the conclusions contained herein be reviewed for validity.
5. The analysis, opinions, recommendations and conclusions of this document are KMA's informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.

**TABLE 1**  
**SUMMARY OF DEMOGRAPHIC & ECONOMIC CHARACTERISTICS**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**

	City of Santa Clara			Santa Clara County			City As % County (2005)
	2000		% Change	2000	2005		
<b>Total Population<sup>1</sup></b>							
White	102,361	109,400 <sup>2</sup>	6.9%	1,682,585	1,763,000 <sup>2</sup>		6.2%
African American	56,903	52,457	-7.8%	905,660	931,640	53.8%	52.8%
American Indian & Alaska Native	2,341	2,818	20.4%	58,293	44,666	3.5%	2.5%
Asian & Pacific Islander	542	876	61.7%	11,350	9,260	0.7%	0.5%
Some Other Race	30,403	38,096	25.3%	435,868	538,207	25.9%	30.5%
Two or More Races	7,102	10,213	43.8%	204,088	190,528	12.1%	10.8%
	5,070	4,938	-2.6%	78,437	50,472	4.7%	9.8%
Hispanic or Latino Origin	16,364	20,456	25.0%	403,401	439,892	24.0%	4.7%
<b>Age Composition</b>							
Under 5	6,688	10,579	58.2%	119,418	139,274	7.1%	7.6%
5 to 19	16,872	14,670	-13.0%	340,184	348,396	20.2%	4.2%
20 to 64	67,901	63,881	-5.9%	1,062,446	1,096,443	63.1%	5.8%
65 and older	10,900	10,614	-2.6%	160,527	178,888	9.5%	5.9%
Median Age	33.4	34.5	3.3%	33.3	36.2		
<b>Total Number of Households<sup>3</sup></b>	37,090	41,520	11.9%	565,863	595,550		7.0%
Average Household Size	2.58	2.55	-1.2%	2.92	2.92		
Mean Household Income	102,100	84,800	-16.9%	118,400	97,900		86.6%
<b>Total Number of Jobs<sup>3</sup></b>							
Agricultural and Natural Resources	220	200	-9.1%	4,560	4,500	0.4%	4.4%
Manufacturing, Wholesale & Transportation	60,160	45,310	-24.7%	346,520	265,550	33.2%	17.1%
Retail	9,280	7,860	-15.3%	100,570	87,660	9.6%	9.0%
Financial & Professional Service	26,230	20,250	-22.8%	211,250	166,460	20.2%	12.2%
Health, Educational & Recreational	20,260	19,190	-5.3%	247,530	241,850	23.7%	7.9%
Other	15,540	12,110	-22.1%	133,700	106,840	12.8%	11.3%
<b>Total</b>	131,690	104,920	-20.3%	1,044,130	872,660	100.0%	12.0%
<b>Total Housing Units<sup>4</sup></b>							
Owner-Occupied	38,526	44,085	14.4%	579,329	607,035		7.3%
Renter-Occupied	17,763	19,535	10.0%	338,661	354,810	58%	5.5%
Vacant	20,763	22,843	10.0%	227,202	230,620	39%	9.9%
	219	1,707	679.5%	15,973	24,357	3%	7.0%

Source: ABAG Projections 2007, U.S. Census 2000, American Community Survey 2005

<sup>1</sup> Age and Household data based on 2000 U.S. Census and 2005 American Community Survey.

<sup>2</sup> Based on ABAG total and American Community Survey percentages.

<sup>3</sup> Job projections based on ABAG Projections 2007.

<sup>4</sup> Housing projections based on U.S. Census 2000 and American FactFinder 2006.

**TABLE 2**  
**PROJECTED POPULATION TRENDS: Santa Clara and Surrounding Cities**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**

	2005	2010	2015	2020	2025	2030	2035	2005-2035 Change	
								Total	%
<b>City of Santa Clara</b>	<b>109,400</b>	<b>117,800</b>	<b>124,700</b>	<b>131,000</b>	<b>135,900</b>	<b>140,800</b>	<b>146,100</b>	<b>36,700</b>	<b>34%</b>
City of San Jose	993,000	1,059,200	1,130,500	1,210,200	1,272,600	1,348,900	1,422,880	429,880	43%
Sunnyvale	134,300	138,900	143,600	148,800	154,000	158,500	163,300	29,000	22%
Palo Alto	75,500	79,300	82,900	86,600	90,000	92,700	95,600	20,100	27%
Mountain View	71,900	75,000	78,100	82,200	85,600	88,300	90,600	18,700	26%
Milpitas	64,900	69,300	74,400	79,800	85,200	90,500	95,800	30,900	48%
Cupertino	54,300	56,300	57,600	58,900	59,500	60,200	61,600	7,300	13%
Gilroy	55,600	60,600	63,200	66,400	69,200	71,500	73,800	18,200	33%
Remainder of County	204,100	211,100	216,100	221,400	225,800	227,700	230,720	26,620	13%
<b>Total Santa Clara County</b>	<b>1,763,000</b>	<b>1,867,500</b>	<b>1,971,100</b>	<b>2,085,300</b>	<b>2,177,800</b>	<b>2,279,100</b>	<b>2,380,400</b>	<b>617,400</b>	<b>35%</b>
City of Santa Clara as % of County	6.2%	6.3%	6.3%	6.3%	6.2%	6.2%	6.1%	5.9%	
<b>Total Bay Region</b>	<b>7,096,100</b>	<b>7,412,500</b>	<b>7,730,000</b>	<b>8,069,700</b>	<b>8,389,600</b>	<b>8,712,800</b>	<b>9,031,500</b>	<b>1,935,400</b>	<b>27%</b>
City of Santa Clara as % of Bay Region	1.5%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.9%	

Source: Association of Bay Area Governments, Projections 2007  
 Keyser Marston Associates, Inc.  
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**TABLE 3**  
**PROJECTED HOUSEHOLDS TRENDS: Santa Clara and Surrounding Cities**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**

	2005	2010	2015	2020	2025	2030	2035	2005-2035 Change	
								Total	%
<b>City of Santa Clara</b>	<b>41,510</b>	<b>44,610</b>	<b>47,330</b>	<b>49,590</b>	<b>51,540</b>	<b>53,810</b>	<b>56,060</b>	<b>14,550</b>	<b>35%</b>
City of San Jose	309,350	329,270	353,080	377,640	397,510	422,720	447,790	138,440	45%
Sunnyvale	53,560	55,310	57,250	59,170	61,320	63,560	65,760	12,200	23%
Palo Alto	30,130	31,630	33,160	34,670	36,240	37,270	39,070	8,940	30%
Mountain View	31,930	33,240	34,690	36,360	37,910	39,390	40,590	8,660	27%
Milpitas	17,890	19,130	20,620	22,150	23,770	25,500	27,140	9,250	52%
Cupertino	19,530	20,220	20,720	21,120	21,380	21,770	22,340	2,810	14%
Gilroy	15,940	17,370	18,130	19,020	19,840	20,630	21,370	5,430	34%
Remainder of County	75,860	78,090	80,020	72,720	75,580	78,070	86,090	10,230	13%
<b>Total Santa Clara County</b>	<b>595,700</b>	<b>628,870</b>	<b>665,000</b>	<b>692,440</b>	<b>725,090</b>	<b>762,720</b>	<b>806,210</b>	<b>210,510</b>	<b>35%</b>
City of Santa Clara as % of County	7.0%	7.1%	7.1%	7.2%	7.1%	7.1%	7.0%	6.9%	
<b>Total Bay Region</b>	<b>2,583,080</b>	<b>2,696,580</b>	<b>2,819,030</b>	<b>2,941,760</b>	<b>30,591,300</b>	<b>3,177,440</b>	<b>3,292,530</b>	<b>709,450</b>	<b>27%</b>
City of Santa Clara as % of Bay Region	1.6%	1.7%	1.7%	1.7%	0.2%	1.7%	1.7%	2.1%	

Source: Association of Bay Area Governments, Projections 2007

Keyser Marston Associates, Inc.  
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**TABLE 4**  
**JOBS BY INDUSTRY SECTOR**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**

	2005	2010	2015	2020	2025	2030	2035	2005-2035 Change
<b>City of Santa Clara</b>								
Agriculture	200	190	180	180	180	180	180	-10%
Manufacturing, Wholesale & Transport.	45,310	45,310	47,350	49,510	51,770	54,210	56,710	25%
Retail	7,860	7,980	8,640	9,300	9,990	10,720	11,480	46%
Financial, Prof. Service	20,250	20,900	23,180	25,520	27,960	30,520	33,190	64%
Health, Education, Rec. Service	19,190	20,350	22,670	25,050	27,530	30,140	32,840	71%
Other	12,110	13,120	14,880	16,580	18,380	20,230	22,140	83%
<b>Total</b>	<b>104,920</b>	<b>107,850</b>	<b>116,900</b>	<b>126,150</b>	<b>135,810</b>	<b>146,000</b>	<b>156,540</b>	<b>49%</b>
<b>City of San Jose</b>								
Agriculture	1,260	1,290	1,290	1,290	1,300	1,320	1,340	6%
Manufacturing, Wholesale & Transport.	103,540	108,780	114,800	121,160	127,540	133,770	140,150	35%
Retail	38,550	42,080	46,190	50,260	54,700	59,340	64,230	67%
Financial, Prof. Service	65,920	75,110	84,400	93,870	104,280	115,090	126,470	92%
Health, Education, Rec. Service	104,020	119,620	135,280	151,310	169,060	188,340	208,570	101%
Other	50,090	58,290	66,970	75,450	84,680	94,250	104,220	108%
<b>Total</b>	<b>363,380</b>	<b>405,170</b>	<b>448,930</b>	<b>493,340</b>	<b>541,560</b>	<b>592,110</b>	<b>644,980</b>	<b>77%</b>
<b>Total Santa Clara County</b>								
Agriculture	4,500	4,500	4,500	4,500	4,500	4,500	4,500	0%
Manufacturing, Wholesale & Transport.	285,550	274,420	286,110	298,800	312,490	326,880	341,670	29%
Retail	87,660	92,620	99,780	107,040	114,700	122,660	131,080	50%
Financial, Prof. Service	166,460	181,260	199,060	217,440	236,840	257,030	278,220	67%
Health, Education, Rec. Service	241,850	265,120	291,630	319,360	348,090	378,170	409,550	69%
Other	106,840	120,410	135,980	151,150	167,220	183,710	200,790	88%
<b>Total</b>	<b>872,860</b>	<b>938,330</b>	<b>1,017,060</b>	<b>1,098,290</b>	<b>1,183,840</b>	<b>1,272,950</b>	<b>1,365,310</b>	<b>56%</b>
<b>Santa Clara as % of Total County</b>								
Agriculture	4%	4%	4%	4%	4%	4%	4%	-0.4%
Manufacturing, Wholesale & Transport.	17%	17%	17%	17%	17%	17%	17%	-0.5%
Retail	9%	9%	9%	9%	9%	9%	9%	-0.2%
Financial, Prof. Service	12%	12%	12%	12%	12%	12%	12%	-0.2%
Health, Education, Rec. Service	8%	8%	8%	8%	8%	8%	8%	0.1%
Other	11%	11%	11%	11%	11%	11%	11%	-0.3%
<b>Total</b>	<b>12%</b>	<b>11%</b>	<b>11%</b>	<b>11%</b>	<b>11%</b>	<b>11%</b>	<b>11%</b>	<b>-0.6%</b>
<b>Total Bay Region</b>								
Agriculture	24,170	24,520	24,870	25,070	25,270	25,470	25,490	4%
Manufacturing, Wholesale & Transport.	709,380	740,960	780,680	823,110	867,490	913,480	959,120	31%
Retail	367,680	392,400	422,880	455,450	489,510	524,960	560,730	46%
Financial, Prof. Service	780,160	841,160	913,800	980,550	1,070,490	1,153,760	1,236,590	51%
Health, Education, Rec. Service	1,055,010	1,142,400	1,239,920	1,343,550	1,452,070	1,565,430	1,679,070	51%
Other	513,240	552,480	597,050	642,970	690,370	738,580	786,780	46%
<b>Total</b>	<b>3,449,640</b>	<b>3,693,920</b>	<b>3,979,200</b>	<b>4,280,700</b>	<b>4,595,200</b>	<b>4,921,680</b>	<b>5,247,780</b>	<b>45%</b>
<b>Santa Clara as % of Bay Region</b>								
Agriculture	1%	1%	1%	1%	1%	1%	1%	-0.1%
Manufacturing, Wholesale & Transport.	6%	5%	5%	6%	6%	6%	6%	-0.5%
Retail	2%	2%	2%	2%	2%	2%	2%	-0.1%
Financial, Prof. Service	3%	2%	3%	3%	3%	3%	3%	0.1%
Health, Education, Rec. Service	2%	2%	2%	2%	2%	2%	2%	0.1%
Other	2%	2%	2%	3%	3%	3%	3%	0.5%
<b>Total</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>-0.1%</b>

Source: Association of Bay Area Governments, Projections 2007  
Keyser Marston Associates, Inc.  
\\S4f51\wp11111985\11985.006\Santa Clara tables.xls; T4-Jobs: 9/2/2008; .j

**TABLE 5**  
**EXISTING AND PROJECTED RESIDENT EMPLOYMENT: Santa Clara City and Surrounding Areas**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**

	2005	2010	2015	2020	2025	2030	2035	2005-2035 Change	
								Total	%
<b>City of Santa Clara</b>	<b>49,470</b>	<b>60,230</b>	<b>66,070</b>	<b>72,720</b>	<b>77,710</b>	<b>82,620</b>	<b>88,380</b>	<b>38,910</b>	<b>65%</b>
City of San Jose	402,290	486,030	538,550	604,630	655,200	711,920	774,320	372,030	77%
Sunnyvale	61,550	72,060	77,180	83,750	89,350	94,310	100,180	38,630	54%
Palo Alto	32,530	38,350	41,680	45,620	48,920	51,660	55,030	22,500	59%
Mountain View	34,900	41,220	44,450	49,020	52,570	55,630	58,860	23,960	58%
Milpitas	26,070	31,480	34,950	39,260	43,280	47,170	51,550	25,480	81%
Cupertino	21,310	25,030	26,530	28,390	29,560	30,730	32,380	11,070	44%
Gilroy	21,390	26,400	28,490	31,390	33,730	35,750	38,020	16,630	63%
Remainder of County	84,490	99,100	104,800	112,620	118,380	122,510	127,880	43,390	44%
<b>Total Santa Clara County</b>	<b>734,000</b>	<b>879,900</b>	<b>962,700</b>	<b>1,067,400</b>	<b>1,148,700</b>	<b>1,232,300</b>	<b>1,326,600</b>	<b>592,600</b>	<b>81%</b>
City of Santa Clara as % of County	6.7%	6.8%	6.9%	6.8%	6.8%	6.7%	6.7%	6.6%	
<b>Total Bay Region</b>	<b>3,225,100</b>	<b>3,511,600</b>	<b>3,774,900</b>	<b>4,080,900</b>	<b>4,353,400</b>	<b>4,655,500</b>	<b>5,016,500</b>	<b>1,791,400</b>	<b>56%</b>
City of Santa Clara as % of Bay Region	1.5%	1.7%	1.8%	1.8%	1.8%	1.8%	1.8%	2.2%	

Source: Association of Bay Area Governments, Projections 2007

Keyser Marston Associates, Inc.  
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**TABLE 6**  
**JOBS/EMPLOYED RESIDENTS' RATIO**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**

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	<u>2005</u>
<b>City of Santa Clara</b>	<b>2.1</b>
City of San Jose	0.9
Sunnyvale	1.2
Palo Alto	3.1
Mountain View	1.6
Milpitas	2.0
Cupertino	1.5
Gilroy	1.0
Remainder of County	0.8
<b>Total Santa Clara County</b>	<b>1.2</b>
<b>Total Bay Region</b>	<b>1.1</b>

Source: Association of Bay Area Governments, Projections 2007

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**TABLE 7**  
**CITY OF SANTA CLARA MAJOR EMPLOYERS**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**

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<b>CITY OF SANTA CLARA MAJOR EMPLOYERS</b>	<b>Product/ Services</b>
<b>PRIVATE</b>	
1 Applied Materials	Semiconductor Devices (MFRS)
2 Intel	Semiconductor Devices (MFRS)
3 3Com	Computers-Electronic-Manufacturers
4 Sanmina-SCI	Electronics Manufacturing
5 Kaiser Permanente	Hospital
6 Hewlett Packard	Test & Measurement Equipment
7 National Semiconductor	Semiconductors
8 Nortel Network/Meridian Systems	Mfg. Communications Equipment
9 Siemens Info & Comms	Communications Equipment
10 United Defense	Manufacturing General
11 ElectroGlas Corporation	Mfg. Automated Wafer Probing Systems
<b>INSTITUTIONAL</b>	
1 Santa Clara University	Education Facility

Source: BT Commercial Real Estate Overview 2005

**TABLE 8**  
**RESIDENTIAL BUILDING PERMITS 1990 - 2005**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**

	CITY OF SANTA CLARA						SANTA CLARA COUNTY			
	SINGLE-FAMILY UNITS	UNITS IN 2-UNIT STRUCTURES	UNITS IN 3-4-UNIT STRUCTURES	UNITS IN 5+ STRUCTURES	MULTI-FAMILY UNITS	TOTAL UNITS (SF + MF)	TOTAL SFR	TOTAL MF	TOTAL UNITS	
2005	79	0	0	430	430	509	2,132	4,072	6,204	
2004	350	0	0	83	83	433	2,689	2,816	5,505	
2003	243	0	0	870	870	1,113	2,320	5,170	7,490	
2002	484	0	0	57	57	541	2,057	2,456	4,513	
2001	75	14	0	472	486	561	1,642	4,318	5,960	
2000	107	4	4	26	34	141	2,834	4,220	7,054	
1999	41	0	3	482	485	526	3,333	3,677	7,010	
1998	177	4	0	272	276	453	3,911	3,615	7,526	
1997	213	0	0	48	48	261	4,367	4,443	8,810	
1996	55	4	2	262	268	323	4,042	3,459	7,501	
1995	49	0	7	10	17	66	2,199	1,285	3,484	
1994	89	0	0	72	72	161	2,077	1,479	3,556	
1993	116	0	0	0	0	116	1,822	1,617	3,439	
1992	46	0	0	0	0	46	1,693	1,143	2,836	
1991	86	0	0	236	236	322	1,663	2,102	3,765	
1990	43	0	0	460	460	503	1,675	3,646	5,321	
<b>TOTAL</b>	<b>2,253</b>				<b>3,822</b>	<b>6,075</b>	<b>40,456</b>	<b>49,518</b>	<b>89,974</b>	
<b>1990 - 2005</b>	<b>37%</b>				<b>63%</b>	<b>100%</b>	<b>45%</b>	<b>55%</b>	<b>100%</b>	
<b>Average/Yr.</b>	<b>141</b>				<b>239</b>	<b>380</b>	<b>2,529</b>	<b>3,095</b>	<b>5,623</b>	

Source: Based on California Industry Research Board Data, May 1991 -2006.

**TABLE 9**  
**MAJOR DEVELOPMENT PROJECTS - IN PIPELINE**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**

Project Name/Address	Commercial (SF)	Office (SF)	Industrial and R&D (SF)	Public/ Institutional (SF)	Hotel (rooms)	Housing Units
<b>Under Construction</b>						
M2 at Rivermark (550 Moreland)						430
Mission Terraces (Agnew Road and Lafayette)						202
1655 Scott Avenue (Shea/UL Site)						130
502 Mansion Park Drive (Lick Mill Creek Apartments)						124
1777 Agnew Road						59
3625 Pruneridge Avenue (Pruneridge Villas)						8
2447 Homestead Road						8
2255 Gianera Street						6
841 Monroe Street						4
1824 Market Street						3
900 Pomeroy Avenue						3
3060 El Camino Real	3,330					
<b>Approved</b>						
1331 Lawrence Expwy. (Marina Playa/BRE)						340
90 N. Winchester Boulevard (BAREC)						275
3445-3465 Lochinvar Avenue						30
1828-1878 Main Street						28
4767 Lafayette Street						27
1460 Monroe Street	1,800					18
2250 El Camino Real						18
3421 Homestead Road						14
1701 Lawrence Road						9
1468 Lafayette St						4
4092 Davis St.						4
3360-3380 Edward Avenue						3
4272 Davis Street	2,084					2
2855 Stevens Creek Boulevard	678,000					
3800 Homestead Road (Kaiser)				130,000		
2200 Lawson Lane (Sobrato)		516,000				
535-555 Reed Street			312,000			
3471 Lafayette Street (car wash)	1,357					
1920 Lafayette Street (industrial condos)		15,840	50,000			
2489 El Camino Real (motel)					18	
2250 Mission College Blvd.(Intel)		100,000				
3333 Scott Blvd. (Applied Materials)			840,000			
5351 Great America Pkwy. (Irvine)		911,000				
5402 Great America Pkwy.		278,000				
5301 Stevens Creek Blvd. (Hewlett Packard)		727,500				
Freedom Circle (Intel)		400,000				
<b>Proposed</b>						
Station Area Plan	360,739	854,246	114,342		1,777	1,663
900 Kiely Blvd. (Old Kaiser Site)						812
3610 and 3700 El Camino Real (Santa Clara Square)	29,289	12,300				490
Downtown Plan	129,300					400
2585 El Camino Real	3,307					60
2303 Gianera St.						6
1575 Pomeroy						3
5010 Old Ironsides (Yahoo! )		3,000,000				
2800 San Tomas Expwy. (Harvest Properties)		2,000,000				
2727 Augustine Dr. (EOP)	35,000	1,969,600				
4301 Great America Pkwy.		600,000				
2350 Mission College Blvd. (Maskatiya/Suri)	6,000	300,000				
3250 Scott Blvd.		600,000				
Mission College Master Plan				427,000		
1500 Space Park			350,000			
3330 Olcott		300,000				
70 Saratoga Ave.		3,739				
2875 Lakeside Dr. (condo-hotel)					170	
<b>Total Development</b>	<b>1,250,206</b>	<b>12,588,225</b>	<b>1,666,342</b>	<b>557,000</b>	<b>1,965</b>	<b>5,183</b>
Under Construction	3,330	0	0	0	0	977
Approved	683,241	2,948,340	1,202,000	130,000	18	772
Proposed	563,635	9,639,885	464,342	427,000	1,947	3,434

Source: City of Santa Clara and Dyett & Bhatia dated 8/29/08.

**TABLE 10**  
**NEW FOR SALE DEVELOPMENT IN CITY OF SANTA CLARA**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**

Project Name/ Location	Developer	Unit Type	Unit Mix	Average Size (SF)	Average Sale Price Total /SF	Monthly HOA Fees	Opening Date	Units Sold	Absorption (Units/Mo)	Target Product/Buyers
<b>Mission Terrace (Condo)</b> Agnew & Lafayette St. (Rivermark)	Mission Terrace, LLC (Citation Homes)	1/1.0	52	870	\$437,000 \$502	\$300	1/15/2006	200	7.83	Entry Level, 1st Move Up Couples Young Families
		2/2.0	56	1,070	\$491,000 \$459					
		2/2.0	52	1,152	\$507,000 \$440					
		3/2.0	40	1,361	\$571,000 \$420					
			<b>200</b>							
<b>The Enclave (SFR)</b> Lawrence Expressway & Stevens Creek Blvd.	Silverstone Communities	4/2.5	8	2,130	\$1,666,000 \$547	n/a	9/29/2007	18	3.55	Growing Families Maturing Families
		4/3.5	10	2,392	\$1,206,000 \$504					
			<b>18</b>							
<b>Tamarind (SFR)</b> Snead Dr. & Eisenhower Dr.	Braddock & Logan	4/2.5	9	2,000	\$898,800 \$449	n/a	3/17/2007	18	1.57	Young Families Growing Families
		4/2.5	9	2,139	\$938,800 \$439					
			<b>18</b>							
<b>Boulevard (TH) - ON HOLD</b> Scott Blvd. & Bray Ave.	Shea Homes	2/2.5		1,445	\$681,000 \$471	\$175	9/2/2007	3	0.5	Couples, Young Families Growing Families
		2/2.5	2	1,458	\$688,000 \$472					
		3/3.5	1	1,560	\$723,000 \$463					
			<b>3</b>							
<b>Mission Gardens (TH)</b> Hope Dr. & Lafayette St. (Rivermark)	Citation Homes	3/2.5	50	1,429	\$699,950 \$490	\$197	1/8/2005	207	5.48	Couples Young Families Growing Families
		3/2.5	33	1,559	\$726,950 \$466					
		3/2.5	37	1,726	\$790,950 \$452					
		4/3.0	40	1,939	\$819,950 \$423					
		4/3.0	47	2,041	\$855,950 \$419					
			<b>207</b>							

Source: Hanley Wood, LLC - April 2008.

Keyser Marston Associates, Inc.:  
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TABLE 11

CITY OF SANTA CLARA RENTAL APARTMENT CHARACTERISTICS: 1st Qtr. 2008  
 SANTA CLARA GENERAL PLAN UPDATE  
 CITY OF SANTA CLARA, CA

Unit Type	Total Units	% of Mix	Average SF	Average Monthly Rent	
				\$/Unit	\$/SF
Studio	162	1.8%	422	\$1,170	\$2.77
Jr. 1-Bedroom	36	0.4%	640	\$1,115	\$1.74
1-Bedroom/1Bath	4,068	44.4%	737	\$1,558	\$2.11
2-Bedroom /1Bath	1,144	12.5%	926	\$1,661	\$1.79
2-Bedroom/1.5 Bath	164	1.8%	1,013	\$1,754	\$1.73
2-Bedroom/2 Bath	3,145	34.3%	1,068	\$2,123	\$1.99
2-Bedroom TH	97	1.1%	1,204	\$1,735	\$1.44
3-Bedroom/1.5 Bath	9	0.1%	1,006	\$1,895	\$1.88
3-Bedroom/2 Bath	336	3.7%	1,333	\$2,828	\$2.12
3- Bedroom TH	4	0.0%	1,359	\$1,895	\$1.39
<b>TOTALS</b>	<b>9,165</b>	<b>100%</b>	<b>900</b>	<b>\$1,809</b>	<b>\$2.03</b>

Source: RealFacts, Market Overview, April 2008

Keyser Marston Associates, Inc.

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**TABLE 12**  
**RESIDENTIAL DEMAND PROJECTIONS (2008 to 2035)**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**

<b>1. BASED ON ABAG PROJECTIONS</b>		<b>Total</b>
<b>City of Santa Clara Households</b>		
	2008 <sup>1</sup>	43,370 Households
	2035	56,060 Households
	<i>Increase</i>	<i>12,690 Households</i>
<b>Increase in Residential Demand (2008 - 2035)</b>		<b>12,690 Units</b>
Plus: Vacancy Allowance <sup>2</sup>	3.0%	381 Units
<Less> Total Existing Available Units <sup>3</sup>	2.8%	(1,206) Units
<b>Total Estimated Residential Demand (2008 - 2035)</b>		<b>11,865 Units</b>
<Less> Total Approved/Under Construction Units <sup>4</sup>		
Station Area Plan		(1,663) Units
Downtown Plan		(400) Units
Remainder of City		(3,120) Units
<b>Total</b>		<b>(5,183) Units</b>
<b>Net Estimated Residential Demand (2008 - 2035)</b>		<b>5,476 Units</b>

**2. BASED ON JOBS/HOUSING RATIO**

<b>Santa Clara County - 2035</b>		
Estimated Jobs <sup>5</sup>		1,365,810 Jobs
Estimated Housing Units <sup>5</sup>		806,210 Units
Estimated Jobs/Housing Ratio		1.7
<b>City of Santa Clara - 2035</b>		
Estimated New Jobs <sup>5</sup>		48,600 Jobs
Assumed Jobs/Housing Ratio		1.7
Estimated Housing Units Needed		28,688 Units
<b>Increase in Residential Demand (2008 - 2035)</b>		<b>28,688 Units</b>
Plus: Vacancy Allowance <sup>2</sup>	3.0%	861 Units
<Less> Total Existing Available Units <sup>3</sup>	2.8%	(1,206) Units
<b>Total Estimated Residential Demand (2008 - 2035)</b>		<b>28,343 Units</b>
<Less> Total Approved/Under Construction Units <sup>4</sup>		
Station Area Plan		(1,663) Units
Downtown Plan		(400) Units
Remainder of City		(3,120) Units
<b>Total</b>		<b>(5,183) Units</b>
<b>Net Estimated Residential Demand (2008 - 2035)</b>		<b>23,160 Units</b>

- <sup>1</sup> Extrapolated from ABAG Projections 2007.  
<sup>2</sup> Required to permit healthy movement of the housing market.  
<sup>3</sup> Based on Dept. of Finance estimate as of 1/1/2008.  
<sup>4</sup> Based on data provided by City of Santa Clara and Dyett & Bhatia.  
<sup>5</sup> Per ABAG Projections 2007.

**TABLE 13**  
**COMPETITIVE EXISTING AND PROPOSED/PLANNED MAJOR SHOPPING DESTINATIONS**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**

	NAME	STREET	CITY	GLA SF	MAJOR ANCHORS	Est. Sales/SF
<b>Existing</b>						
1	Westfield Shoppingtown Valley Fair	2855 Stevens Creek Blvd	Santa Clara	1,478,500	Nordstrom, Macy's, Macy's Men's & Home	\$830
2	Cupertino Square (f/k/a Vallco Fashion Park)	10123 N. Wolfe	Cupertino	1,137,140	JCPenney Macy's Sears AMC Theater	NA
3	Santana Row	2980 Stevens Creek Blvd	San José	563,000	Borders Books Crate & Barrel	\$700
4	Westgate Mall	1600 Saratoga Ave	San José	645,000	Target Burlington Coat Michaels Nordstrom Rack Old Navy Ross Century 25	\$250
5	El Paseo de Saratoga Shopping Center	1000 El Paseo de Saratoga Ave	San José	340,977	AMC Theatres OfficeMax Petco REI	NA
6	Great Mall of the Bay Area	447 Great Mall Dr.	Milpitas	1,283,972	Century Theatres Kohl's Burlington Coat Factory; Old Navy Marshalls Dave & Buster's BevMo	\$375
7	Mercado Santa Clara	3111 Mission College Blvd	Santa Clara	214,602	AMC Theatres TJ Maxx Micro Electronics	NA
8	Mervyn's Plaza	El Camino Real & Scott Blvd	Santa Clara	260,000	Mervyn's Walgreens Lucky's	\$200
<b>Total Existing</b>				<b>5,923,191</b>		
<b>Proposed/Planned</b>						
A	New Sunnyvale Town Center (Existing center essentially closed except for Target and Macy's. Currently Under Construction)	2502 Town Center Lane	Sunnyvale	1,000,000	Over 1.0M+ SF Life-Style Center: Retail Shops Restaurants Theaters, etc.	
<b>Total Proposed Planned</b>				<b>1,000,000</b>		
<b>GRAND TOTAL</b>				<b>6,923,191</b>		

Source: DirectoryofMajorMalls.com (accessed 4/10/08); LoopNet, Company 10Ks & Center Websites Apr. 08

Keyser Marston Associates, Inc.

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TABLE 14

**TOTAL TAXABLE SALES (2000, 2006) - City of Santa Clara**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**

	CITY OF SANTA CLARA TAXABLE SALES				SANTA CLARA COUNTY	
	Taxable Sales		Taxable Sales		% Change 2000 - 2006	% Change 2000 - 2006
	# Permits	2000	# Permits	2006		
Comparison Retail						
Apparel	60	\$48,331,000	92	\$71,817,000	48.6%	44.2%
General Merchandise (Excl. Drugs)	12	\$229,901,000	32	\$225,352,000	-2.0%	5.5%
Specialty Retail	678	\$480,604,000	737	\$347,420,000	-27.7%	-17.7%
Home Furnishings & Appliances	106	\$219,449,000	118	\$121,482,000	-44.6%	-25.3%
Total Comparison Retail	856	\$978,285,000	979	\$766,071,000	-21.7%	-6.3%
Convenience Retail						
Food Stores <sup>1</sup>	65	\$54,087,000	72	\$61,128,000	13.0%	0.7%
Drug Stores	11	\$30,931,000	13	\$28,318,000	-8.4%	-3.3%
Total Convenience Retail	76	\$85,018,000	85	\$89,446,000	5.2%	-0.5%
Eating & Drinking	429	\$234,979,000	459	\$256,520,000	9.2%	15.4%
Building Materials	42	\$139,277,000	59	\$124,026,000	-11.0%	22.5%
Automotive	125	\$710,566,000	162	\$734,532,000	3.4%	2.8%
Other Retail Stores	50	\$46,928,000	46	\$36,302,000	-22.6%	4.9%
CITY RETAIL SALES TOTAL	1,578	\$2,195,053,000	1,790	\$2,006,897,000	-8.6%	1.3%
Business & Personal Services	439	\$199,674,000	471	\$196,626,000	-1.5%	-34.9%
All Other Outlets <sup>2</sup>	2,545	\$1,785,392,000	2,399	\$1,332,759,000	-25.4%	-29.6%
TOTAL ALL OUTLETS	4,562	\$4,180,119,000	4,660	\$3,536,282,000	-15.4%	-13.5%
COUNTY RETAIL SALES TOTAL						
City As % of County		\$19,773,484,000 11.1%		\$20,039,932,000 10.0%	1.3%	
COUNTY TOTAL SALES OUTLETS						
City As % of County		\$37,303,662,000 11.2%		\$32,273,238,000 11.0%	-13.5%	

Source: California State Board of Equalization Taxable Sales Report Annual 2006 (most recent annual taxable sales report available)

<sup>1</sup> No adjustments have been made to reflect total sales for food stores or drug stores - as typically only an estimated 30% for food and 60% for drugstore sales are taxable.

<sup>2</sup> Includes non-store retailers, manufacturers and wholesalers, governmental, social and health services, etc., as shown in Appendix A.

Prepared by: Keyser Marston Associates, Inc.

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**TABLE 15**  
**ESTIMATED SALES PER CAPITA (2006)**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**

Taxable Sales 2006

	CITY OF SANTA CLARA			SANTA CLARA COUNTY		
	Total	Per Capita <sup>2</sup>	% Income	Total	Per Capita <sup>2</sup>	% Income
<i>Estimated Population (DOF)</i>		110,771			1,776,586	
<i>Estimated Per Capita Income (BEA)</i>		\$34,838			\$35,222	
<b>Comparison Retail</b>						
Apparel	\$71,817,000	\$648	1.9%	\$1,264,215,000	\$712	2.0%
General Merchandise (Excl. Drugs)	\$225,352,000	\$2,034	5.8%	\$2,627,997,000	\$1,479	4.2%
Specialty Retail	\$347,420,000	\$3,136	9.0%	\$3,674,311,000	\$2,068	5.9%
Home Furnishings & Appliances	\$121,482,000	\$1,097	3.1%	\$879,892,000	\$495	1.4%
<b>Total Comparison Retail</b>	<b>\$766,071,000</b>	<b>\$6,916</b>	<b>19.9%</b>	<b>\$8,446,415,000</b>	<b>\$4,754</b>	<b>13.5%</b>
<b>Convenience Retail</b>						
Food Stores <sup>1</sup>	\$203,760,000	\$1,839	5.3%	\$2,830,936,667	\$1,593	4.5%
Drug Stores	\$47,196,667	\$426	1.2%	\$585,650,000	\$330	0.9%
<b>Total Convenience Retail</b>	<b>\$250,956,667</b>	<b>\$2,266</b>	<b>6.5%</b>	<b>\$3,416,586,667</b>	<b>\$1,923</b>	<b>5.5%</b>
<b>Eating &amp; Drinking</b>	<b>\$256,520,000</b>	<b>\$2,316</b>	<b>6.6%</b>	<b>\$2,645,787,000</b>	<b>\$1,489</b>	<b>4.2%</b>
<b>Building Materials</b>	<b>\$124,026,000</b>	<b>\$1,120</b>	<b>3.2%</b>	<b>\$1,659,844,000</b>	<b>\$934</b>	<b>2.7%</b>
<b>Automotive</b>	<b>\$734,532,000</b>	<b>\$6,631</b>	<b>19.0%</b>	<b>\$5,534,342,000</b>	<b>\$3,115</b>	<b>8.8%</b>
<b>Other Retail Stores</b>	<b>\$36,302,000</b>	<b>\$328</b>	<b>0.9%</b>	<b>\$552,873,000</b>	<b>\$311</b>	<b>0.9%</b>
<b>RETAIL SALES TOTAL</b>	<b>\$2,168,407,667</b>	<b>\$19,576</b>	<b>56.2%</b>	<b>\$22,255,847,667</b>	<b>\$12,527</b>	<b>35.6%</b>
<b>Business and Personal Services</b>	<b>\$196,626,000</b>	<b>\$1,775</b>	<b>5.1%</b>	<b>\$1,265,315,000</b>	<b>\$712</b>	<b>2.0%</b>
<b>All Other Outlets<sup>3</sup></b>	<b>\$1,332,759,000</b>	<b>\$12,032</b>	<b>34.5%</b>	<b>\$10,967,991,000</b>	<b>\$6,174</b>	<b>17.5%</b>
<b>TOTAL ALL OUTLETS</b>	<b>\$3,697,792,667</b>	<b>\$33,382</b>	<b>95.8%</b>	<b>\$34,489,153,667</b>	<b>\$19,413</b>	<b>55.1%</b>

Source: California State Board of Equalization Taxable Sale Report

<sup>1</sup> Adjustments have been made to reflect total sales for food stores or drug stores - as typically only an estimated 30% for food and 60% for drugstore sales are taxable.

<sup>2</sup> Based on 1/1/06 estimates from the Department of Finance - Demographic Unit

<sup>3</sup> Includes non-store retailers, manufacturers and wholesalers, governmental, social and health services, etc., as shown in Appendix A.

Keyser Marston Associates, Inc.

\\sf-fs1\wp1\1111985\11985.006\Santa Clara tables.xls; T15 Sales PC; 9/2/2008; mc, dm

**TABLE 16a**  
**PROJECTED COMPARISON RETAIL SPACE DEMAND (2008 to 2035)**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**

(In 2008 Dollars)

Greater Santa Clara Trade Area <sup>1</sup>	Population
2035	2,253,700 (ABAG Proj. 2007)
2008	1,746,684 (1/1/08 DOF)
Increase	507,016
Per Capita Income <sup>2</sup>	\$36,000 (1% real growth)
Gross Income Increment	\$18,262,676,000

**TOTAL ESTIMATED TRADE AREA POTENTIAL (2008 to 2035)**

Establishment Type	Typ. % Expenditure <sup>3</sup>	Trade Area Residents	Employees	Visitors <sup>5</sup>	Total	Typical Target Productivity	Est. T.A. Retail Space Demand (2008 to 2035)	% Historic City Share <sup>6</sup>	Est. City Share of Retail Demand (2008 to 2035)
<b>Comparison Goods</b>									
Apparel Stores	2.0%	\$368,762,985	TA Residents						
General Merchandise Stores <sup>4</sup>	4.2%	\$766,668,993							
Specialty Stores	5.9%	\$1,071,771,727							
Home Furnishings & Appliances	1.4%	\$256,658,559							
<b>Estimated Total Comparison Retail</b>	<b>13.5%</b>	<b>\$2,463,762,265</b>	<b>\$0</b>	<b>\$273,751,363</b>	<b>\$2,737,513,627</b>	<b>\$350</b>	<b>7,821,468 SF</b>	<b>10%</b>	<b>771,166 SF</b>
Eating & Drinking	4.2%	\$771,758,216	<b>\$0</b>	<b>\$85,750,913</b>	<b>\$857,509,129</b>	<b>\$450</b>	<b>1,905,576 SF</b>	<b>10%</b>	<b>195,571 SF</b>
<b>Estimated Total Comp. Retail with E&amp;D</b>	<b>17.7%</b>	<b>\$3,235,520,481</b>	<b>\$0</b>	<b>\$359,502,276</b>	<b>\$3,595,022,756</b>		<b>9,727,043 SF</b>		<b>966,737 SF</b>
<b>Estimated City Share of Trade Area Comparison &amp; E&amp;D Retail Space Demand</b>									
Plus: Vacancy Allowance									
<Less> Total Existing Available Space <sup>7</sup>									
<b>Total Estimated City Share of Comp. Retail &amp; E&amp;D Space Demand (2008 to 2035)</b>									
<Less> Major Proposed/Planned Space <sup>8</sup>									
Station Area Plan									
Downtown Plan									
Remainder of City (Santa Clara Square & Shopping Center Expansion at Stevens Creek Blvd.)									
Total Major Proposed/Planned Space									
<b>NET ESTIMATED CITY SHARE OF COMP. RETAIL &amp; E&amp;D SPACE DEMAND (2008 to 2035)</b>									
<b>0 SF</b>									

<sup>1</sup> Santa Clara County, excluding Morgan Hill and Gilroy, which are beyond a 20- to 30-minute driving time limit for trade area.

<sup>2</sup> Based on BEA's 2006 estimate for Santa Clara County, escalated at 1.0% real growth to 2008.

<sup>3</sup> Based on countywide retail expenditure patterns.

<sup>4</sup> Excluding drug stores.

<sup>5</sup> Assumes an estimated 10% from outside the trade area.

<sup>6</sup> Based on city's share of taxable retail sales in the county (less Morgan Hill and Gilroy).

<sup>7</sup> Based on Terranomics Santa Clara County Retail Report for overall vacancy, year end 2007.

<sup>8</sup> Based on data prepared by City of Santa Clara City Planning and Dyett & Bhatia. Assumes roughly 50% of Station Area's and 75% of Downtown's planned retail are comparison retail and the remainder is convenience retail - as no breakouts by retail types are available.

**TABLE 16b**  
**PROJECTED BUILDING MATERIALS RETAIL SPACE DEMAND (2008 to 2035)**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**  
(In 2008 Dollars)

Santa Clara City Trade Area	Population
2035	146,100 (ABAG Proj. 2007)
2008	115,508 (1/1/08, DOF)
	Increase
	30,592
Per Capita Income <sup>1</sup>	\$36,000 (1% real growth)
Gross Income Increment	\$1,101,312,000

Establishment Type	TOTAL ESTIMATED TRADE AREA POTENTIAL (2008 to 2035)		Typical Target Productivity	Est. City Share of Retail Demand (2008 to 2035)
	Typ. % Expenditure <sup>2</sup>	Trade Area Residents Total		
Building Materials	2.7%	\$29,213,249	\$600	48,689 SF
Estimated Total Building Materials		\$29,213,249		48,689 SF
				0 SF
				0 SF
				48,689 SF
				N.A. SF
				N.A. SF
				N.A. SF
				0 SF
				48,689 SF

Plus: Vacancy Allowance  
<Less> Total Existing Available Space<sup>3</sup>  
**Total Estimated City Share of Building Materials Space Demand (2008 to 2035)**  
<Less> Major Proposed/Planned Space<sup>4</sup>  
Station Area Plan  
Downtown Plan  
Remainder of City (Santa Clara Square + Misc.)  
Total Major Proposed/Planned Space

**NET ESTIMATED CITY SHARE OF BUILDING MATERIALS SPACE DEMAND (2008 to 2035)**

<sup>1</sup> Based on BEA's 2006 estimate for Santa Clara County, escalated at 1.0% per year real growth.  
<sup>2</sup> Based on countywide retail expenditure patterns.  
<sup>3</sup> Based on Terranomics Santa Clara County Retail Report for overall retail (no breakdowns available), Year End 2007.  
<sup>4</sup> Based on data prepared by City of Santa Clara City Planning and Dyett & Bhatia.



**TABLE 17**  
**CINEMAS IN OR NEAR CITY OF SANTA CLARA**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**

<b>Map #</b>	<b>NAME</b>	<b>STREET</b>	<b>CITY</b>	<b>OPERATOR</b>	<b>#SCREENS</b>
1	AMC Mercado 20	3111 Mission College Blvd.	<b>Santa Clara</b>	AMC	20
2	Winchester Theaters 21	3161 Olsen Dr.	San José	Syufy	1
3	Winchester Theaters 22	3162 Olsen Dr.	San José	Syufy	1
4	Winchester Theaters 23	3163 Olsen Dr.	San José	Syufy	2
5	Century 24	741 S. Winchester	San José	Cinemark	2
6	CineArts@Santana Row	3088 Olsen Dr.	San José	Cinemark	6
7	Camera 12	201 South Second Street	San José	Camera Cinema	12
<b>TOTAL EXISTING</b>					<b>44</b>

**TABLE 18**  
**SILICON VALLEY OFFICE INVENTORY**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**  
**(000s)**

1st QTR. 2008	Total Building SF	Available Square Feet		Vacancy Q1 '08	Vacancy Q1 '07	Avg. Asking Rent (FS)
		Direct	Sublease			
<b>Central Silicon Valley</b>	<b>33,803</b>	<b>3,802</b>	<b>968</b>	<b>14.1%</b>	<b>10.4%</b>	<b>\$2.69</b>
Santa Clara	9,492	1,354	302	17.4%	15.8%	\$2.66
San Jose Airport/N. First St	11,882	926	231	9.7%	7.8%	\$2.36
Alameda/Civic Center	2,254	204	3	9.2%	10.8%	\$1.84
South San Jose	2,120	139	28	7.8%	5.4%	\$2.32
Sunnyvale	8,055	1,179	404	19.7%	8.9%	\$3.12
<i>Santa Clara/San Jose Airport / N. First of Central Silicon Valley</i>						
101 Tech. Corridor South	14,209	686	269	6.7%	9.0%	\$4.17
Downtown San Jose	8,064	1,014	53	13.2%	15.5%	\$2.33
West Valley	11,418	858	222	9.5%	7.0%	\$2.90
South 880 Corridor	3,435	230	16	7.1%	7.3%	\$2.19
<b>SILICON VALLEY TOTAL</b>	<b>70,929</b>	<b>6,590</b>	<b>1,528</b>	<b>11.4%</b>	<b>10.0%</b>	<b>\$2.83</b>
<i>City of Santa Clara As % of Silicon Valley<sup>1</sup></i>	<b>13.4%</b>					

<sup>1</sup> Generally includes Santa Clara County + Fremont in South 880 Corridor (2,333,000 SF).

Source: NAI BT Commercial, Office Report, 4th Quarter of 2007 and 1st Quarter of 2008.

**TABLE 19**  
**HISTORIC SILICON VALLEY OFFICE MARKET TRENDS**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**  
(000s)

<b>HISTORIC TRENDS</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Central Silicon Valley (Sunnyvale, Santa Clara, S.J. Airport/N. First Alameda/Civic Center, S. San Jose)</b>					
Gross Absorption	3,813	4,000	4,635	4,333	3,152
Net Absorption	(1,566)	1,455	1,385	657	(138)
Vacancy Rate	20.5%	16.0%	12.1%	10.1%	12.6%
Average Asking Rent/FS	\$1.96	\$1.88	\$1.85	\$2.04	\$2.64
<b>101 Tech. Corridor South (Palo Alto, Mountain View)</b>					
Gross Absorption	2,182	1,676	1,361	1,726	2,225
Net Absorption	530	401	261	110	968
Vacancy Rate	15.3%	12.3%	10.4%	9.6%	6.2%
Average Asking Rent/FS	\$2.79	\$2.68	\$2.74	\$3.25	\$4.03
<b>Downtown San Jose</b>					
Gross Absorption	927	799	536	868	1,067
Net Absorption	103	266	(289)	44	660
Vacancy Rate	18.2%	17.7%	21.3%	20.8%	12.7%
Average Asking Rent/FS	\$2.21	\$2.15	\$2.20	\$2.23	\$2.32
<b>West Valley (Cupertino, Campbell, Los Gatos/Saratoga, W. San Jose)</b>					
Gross Absorption	1,272	1,414	1,290	1,332	1,118
Net Absorption	67	510	283	70	15
Vacancy Rate	14.3%	9.8%	7.9%	7.4%	7.4%
Average Asking Rent/FS	\$2.18	\$2.15	\$2.23	\$2.61	\$2.76
<b>South 880 Corridor (Milpitas, Fremont)</b>					
Gross Absorption	407	281	301	178	170
Net Absorption	127	28	25	10	(2)
Vacancy Rate	9.2%	8.3%	7.6%	7.3%	7.2%
Average Asking Rent/FS	\$1.80	\$1.86	\$1.90	\$2.03	\$2.17
<b>SILICON VALLEY (TOTAL)</b>					
<b>GROSS ABSORPTION</b>	<b>8,600</b>	<b>8,170</b>	<b>8,123</b>	<b>8,436</b>	<b>7,734</b>
<b>NET ABSORPTION</b>	<b>(740)</b>	<b>2,659</b>	<b>1,664</b>	<b>893</b>	<b>1,572</b>
<b>VACANCY RATE</b>	<b>17.6%</b>	<b>14.1%</b>	<b>11.9%</b>	<b>10.7%</b>	<b>10.2%</b>
<b>AVERAGE ASKING RENTS/FS</b>	<b>\$2.16</b>	<b>\$2.09</b>	<b>\$2.12</b>	<b>\$2.36</b>	<b>\$2.76</b>

Source: NAI BT Commercial, Office Report, 4th Quarter of 2007 and 1st Quarter of 2008.



**TABLE 20**  
**PROJECTED OFFICE SPACE DEMAND (2008 to 2035)**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**

	Est. 2008	2035	
Projected Santa Clara County All Jobs (ABAG '07)	912,142	1,365,810	
<i>Increase</i>		453,668	
<b>Projected Office Jobs in Santa Clara County <sup>1</sup></b>		<b>164,700</b>	<b>36%</b>
Financial Activities	4.0%	18,147	
Professional & Business Services	10.3%	46,728	
Health Services (Physician Offices)	1.1%	4,990	
Government	10.9%	49,450	
Other Sectors	10.0%	45,367	
Office Space per Employee	@ 250 SF/Emp.		
<b>Total Santa Clara County Office Space Demand</b>		<b>41,175,000 SF</b>	
<b>Estimated City Share of County Office Space <sup>2</sup></b>	14%	<b>5,698,000 SF</b>	
Plus: Vacancy Allowance	5%	284,900 SF	
<Less> Total Existing Available Space <sup>3</sup>		(827,500) SF	
<b>Total Estimated Office Demand (2008 to 2035)</b>		<b>5,155,400 SF</b>	
<Less> Major Proposed/Planned Space in City <sup>4</sup>			
Station Area Plan <sup>5</sup>	Est.	(854,246) SF	
Downtown Plan <sup>5</sup>		0 SF	
Remainder of City <sup>6</sup>		(11,733,979) SF	
Total Major Proposed/Planned Space		(12,588,225) SF	
<b>NET ESTIMATED CITY SHARE OF OFFICE SPACE DEMAND (2008 to 2035)</b>		<b>0 SF</b>	

<sup>1</sup> Based on EDD's March 2008 preliminary Industry Employment & Workforce Information for San Jose-Sunnyvale-Santa Clara MSA.

<sup>2</sup> Based on City of Santa Clara's approximate share of existing office space inventory in county.

<sup>3</sup> Includes direct and sublease space as estimated by NAI BT Commercial factored by 50% for obsolete space.

<sup>4</sup> Not including the Edenvale Technology Park or Rincon de Los Esteros master plans, which include R&D/office/mfg. space.

<sup>5</sup> Per Dyett & Bhatia.

<sup>6</sup> Based on data prepared by City of Santa Clara City Planning and Dyett & Bhatia.

**TABLE 21**  
**SILICON VALLEY RESEARCH AND DEVELOPMENT INVENTORY**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**

1st QTR, 2008	Total Building SF	Available Square Feet		Vacancy Q1 '08	Vacancy Q1 '07	Avg. Asking Rent (FS)
		Direct	Sublease			
Santa Clara	21,757,999	2,163,575	367,268	11.6%	14.5%	\$1.28
Mountain View	12,967,396	755,945	374,962	8.7%	12.1%	\$1.93
Sunnyvale	20,538,518	2,327,141	587,686	14.2%	16.4%	\$1.46
San José	42,418,707	7,145,575	978,506	19.2%	21.1%	\$1.22
Milpitas	15,563,624	1,818,129	621,912	15.7%	27.0%	\$1.04
Fremont	21,066,503	3,668,131	541,551	20.0%	21.7%	\$0.93
Other* (wt. avg.)	18,779,824	2,749,583	488,865	17.2%	13.3%	\$1.28
<b>SILICON VALLEY TOTAL</b>	<b>153,092,571</b>	<b>20,628,079</b>	<b>3,960,750</b>	<b>16.1%</b>	<b>18.5%</b>	<b>\$1.27</b>
<i>City of Santa Clara As % of Silicon Valley</i> <sup>1</sup>	<b>14.2%</b>					

<sup>1</sup> Includes Palo Alto, Cupertino, Westside, Newark, Morgan Hill/Gillroy

Source: NAI BT Commercial, R&D Report, 4th Quarter of 2007 and 1st Quarter of 2008.

**TABLE 22**  
**HISTORIC SILICON VALLEY RESEARCH AND DEVELOPMENT MARKET TRENDS**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**  
**(000s)**

<b>HISTORIC TRENDS</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Santa Clara</b>					
Gross Absorption	2,564	1,900	2,598	2,982	2,541
Net Absorption	(1)	(595)	1,107	1,543	626
Vacancy Rate	25.3%	26.4%	20.6%	20.8%	12.0%
<b>San José</b>					
Gross Absorption	3,748	3,924	4,497	3,691	4,309
Net Absorption	(1,421)	932	454	398	569
Vacancy Rate	24.5%	22.1%	21.5%	22.0%	19.5%
<b>Mountain View</b>					
Gross Absorption	2,287	1,675	2,074	1,322	1,729
Net Absorption	(20)	239	791	435	205
Vacancy Rate	20.8%	18.5%	14.1%	11.2%	8.6%
<b>Sunnyvale</b>					
Gross Absorption	2,840	2,590	2,581	2,810	2,410
Net Absorption	294	(320)	278	291	794
Vacancy Rate		17.9%	19.1%	17.7%	13.9%
<b>Milpitas</b>					
Gross Absorption	1,128	1,371	2,208	1,310	2,440
Net Absorption	(1,173)	(374)	702	(149)	1,372
Vacancy Rate	28.7%	27.8%	23.1%	22.9%	18.3%
<b>Fremont</b>					
Gross Absorption	3,263	2,536	2,545	2,159	3,077
Net Absorption	(23)	475	(139)	(91)	437
Vacancy Rate	24.3%	21.3%	23.0%	22.7%	21.2%
<b>Other <sup>1</sup></b>					
Gross Absorption	5,840	3,800	5,045	4,134	7,204
Net Absorption	(91)	422	596	123	(516)
<b>SILICON VALLEY (TOTAL)</b>					
<b>GROSS ABSORPTION</b>	<b>17,795</b>	<b>15,659</b>	<b>18,252</b>	<b>16,656</b>	<b>18,904</b>
<b>NET ABSORPTION</b>	<b>(2,435)</b>	<b>780</b>	<b>3,789</b>	<b>2,549</b>	<b>3,488</b>
<b>VACANCY RATE</b>	<b>22.7%</b>	<b>22.3%</b>	<b>20.1%</b>	<b>18.5%</b>	<b>16.6%</b>

<sup>1</sup> Includes Palo Alto, Cupertino, Westside, Newark, Morgan Hill/Gillroy

Source: BT Commercial

**TABLE 23**  
**SILICON VALLEY MANUFACTURING REPORT - Market Summary**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**  
**(000s)**

1ST QTR. 2008	Total Building SF	Available Square Feet		Vacancy Q1 '08	Vacancy Q1 '07	Avg. Asking Rent (FS)
		Direct	Sublease			
Palo Alto	887	25	27	5.9%	5.4%	\$ 1.53
Mountain View	2,886	50	13	2.2%	3.9%	\$ 0.80
<b>101 Tech. Corridor South</b>	<b>3,773</b>	<b>75</b>	<b>41</b>	<b>3.1%</b>	<b>4.2%</b>	<b>\$ 1.13</b>
Campbell	1,465	47	-	3.2%	8.7%	\$ 1.55
Sunnyvale	5,875	364	-	6.2%	5.5%	\$ 1.18
Santa Clara	11,793	473	32	4.3%	2.9%	\$ 0.84
North San Jose	10,212	528	40	5.6%	5.1%	\$ 0.87
South San Jose	13,151	214	36	1.9%	1.3%	\$ 0.82
Morgan Hill / Gilroy	4,432	605	156	17.2%	14.4%	\$ 0.60
<b>Central Silicon Valley</b>	<b>46,928</b>	<b>2,232</b>	<b>263</b>	<b>5.3%</b>	<b>4.5%</b>	<b>\$ 0.83</b>
Milpitas	2,207	247	-	11.2%	8.8%	\$ 0.84
Fremont	8,999	185	4	2.1%	6.3%	\$ 0.73
Newark	4,139	641	25	16.1%	14.4%	\$ 0.95
<b>South 880 Corridor</b>	<b>15,345</b>	<b>1,073</b>	<b>29</b>	<b>7.2%</b>	<b>8.8%</b>	<b>\$ 0.89</b>
<b>SILICON VALLEY TOTAL</b>	<b>66,047</b>	<b>3,379</b>	<b>333</b>	<b>5.6%</b>	<b>5.5%</b>	<b>\$0.85</b>
<i>City of Santa Clara As % of Silicon Valley <sup>1</sup></i>	<b>17.9%</b>					

<sup>1</sup> Generally includes Santa Clara County + Newark and Fremont (in South 880 Corridor.)

Source: BT Commercial, Fourth Quarter 2007

Keyser Marston Associates, Inc.  
 \\Sf-fs1\wp\11\11985\11985.006\Santa Clara tables.xls; T23 Mfg. Invent.; 9/2/2008

**TABLE 24**  
**HISTORIC SILICON VALLEY MANUFACTURING MARKET TRENDS**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**  
**(000s)**

<b>HISTORIC TRENDS</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Santa Clara</b>					
Gross Absorption	1,010	1,167	995	922	653
Net Absorption	5	381	(34)	158	(91)
Vacancy Rate					
<b>Palo Alto</b>					
Gross Absorption	92	30	27	46	19
Net Absorption	52	18	2	3	4
Vacancy Rate	-				
<b>Mountain View</b>					
Gross Absorption	257	137	153	150	165
Net Absorption	145	(18)	2	74	(13)
Vacancy Rate				3.9%	2.2%
<b>Campbell</b>					
Gross Absorption	47	43	47	20	183
Net Absorption	(16)	10	(63)	(25)	57
Vacancy Rate				8.7%	3.2%
<b>Sunnyvale</b>					
Gross Absorption	519	361	589	530	163
Net Absorption	(92)	88	163	91	(50)
Vacancy Rate				5.5%	6.2%
<b>North San Jose</b>					
Gross Absorption	994	1,103	1,006	1,148	597
Net Absorption	31	205	18	275	(94)
Vacancy Rate					
<b>South San Jose</b>					
Gross Absorption	469	577	792	695	448
Net Absorption	176	68	31	208	35
Vacancy Rate					
<b>Morgan Hill / Gilroy</b>					
Gross Absorption	-	428	216	154	105
Net Absorption	(210)	216	30	(209)	(180)
Vacancy Rate					
<b>Milpitas</b>					
Gross Absorption	119	52	155	156	213
Net Absorption	1	(69)	76	57	(134)
Vacancy Rate					
<b>Fremont</b>					
Gross Absorption	930	877	1,394	663	566
Net Absorption	406	91	137	77	337
Vacancy Rate	42				
<b>Newark</b>					
Gross Absorption	217	298	61	161	298
Net Absorption	(225)	138	(26)	(316)	17
Vacancy Rate					
<b>GROSS ABSORPTION</b>	<b>4,655</b>	<b>5,072</b>	<b>5,435</b>	<b>4,643</b>	<b>3,410</b>
<b>NET ABSORPTION</b>	<b>273</b>	<b>1,128</b>	<b>335</b>	<b>393</b>	<b>(111)</b>
<b>VACANCY RATE</b>			<b>5.8%</b>	<b>5.3%</b>	<b>5.5%</b>

Source: BT Commercial, 4th Quarter 2007

Keyser Marston Associates, Inc.

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**TABLE 25**  
**PROJECTED MANUFACTURING SPACE DEMAND (2008 to 2035)**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**

	<u>Est. 2008</u>	<u>2035</u>
Projected Santa Clara County All Jobs (ABAG '07)	912,142	1,365,810
<i>Increase</i>		453,668
<b>Projected Manufacturing Jobs in Santa Clara County <sup>1</sup></b>		
Manufacturing	18.4%	83,475
Manufacturing Space per Employee	@ 400 SF/Emp.	
<b>Total Santa Clara County Mfg. Space Demand</b>		<b>33,390,000 SF</b>
<b>Estimated City Share of County Mfg. Space <sup>2</sup></b>	22%	<b>7,443,000 SF</b>
Plus: Vacancy Allowance	5%	372,150 SF
<Less> Total Existing Available Space <sup>3</sup>		(504,885) SF
<b>Total Estimated Mfg. Space Demand (2008 to 2035)</b>		<b>7,310,265 SF</b>
<Less> Major Proposed/Planned Space <sup>4</sup>		
Station Area Plan <sup>5</sup>	Est.	0 SF
Downtown Plan <sup>5</sup>		0 SF
Remainder of City <sup>6</sup>		(50,000) SF
Total Major Proposed/Planned Space		(50,000) SF
<b>NET ESTIMATED CITY SHARE OF MFG. SPACE DEMAND (2008 to 2035)</b>		<b>7,260,265 SF</b>

<sup>1</sup> Based on EDD's March 2008 preliminary Industry Employment & Workforce Information for San Jose-Sunnyvale-Santa Clara MSA.

<sup>2</sup> Based on City of Santa Clara's approximate share existing inventory of manufacturing space inventory in county.

<sup>3</sup> Includes direct and sublease space as estimated by BT Commercial for 4th Qtr. 2007.

<sup>4</sup> Not including the Edenvale Technology Park or Rincon de Los Esteros master plans, which include R&D/office/mfg. space.

<sup>5</sup> None indicated in Station Area Plan prepared by Dyett & Bhatia.

<sup>6</sup> Based on data prepared by City of Santa Clara City Planning and Dyett & Bhatia.

**TABLE 26**  
**SILICON VALLEY WAREHOUSE REPORT - Market Summary**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**  
**(000s)**

1ST QTR. 2008	Total		Available Square Feet		Vacancy Q1 '08	Vacancy Q1 '07	Avg. Asking Rent (FS)
	Building SF	Direct	Sublease	Total			
Sunnyvale	1,828	55	-	55	3.0%	0.0%	\$ 0.75
Santa Clara	4,032	173	-	173	4.3%	0.9%	\$ 0.69
North San Jose	9,740	399	32	431	4.4%	6.8%	\$ 0.50
South San Jose	8,914	82	138	220	2.5%	4.9%	\$ 0.54
Morgan Hill / Gilroy	2,525	230	-	230	9.1%	9.1%	\$ 0.28
Central Silicon Valley	27,039	939	170	1,109	4.1%	5.1%	\$ 0.51
Milpitas	5,554	446	-	446	8.0%	7.7%	\$ 0.62
Fremont	8,211	331	33	365	4.4%	7.4%	\$ 0.49
Newark	3,987	207	-	207	5.2%	14.8%	\$ 0.49
South 880 Corridor	17,751	984	33	1,018	5.7%	9.2%	\$ 0.55
TOTAL	44,790	1,923	203	2,127	4.7%	5.5%	\$0.85
City of Santa Clara As % of Silicon Valley <sup>1</sup>							9.0%

<sup>1</sup> Generally includes Santa Clara County + Newark and Fremont (in South 880 Corridor.)

Source: BT Commercial, Fourth Quarter 2007

Keyser Marston Associates, Inc.  
 \\SF\fs1\wp\1111985\11985.006\Santa Clara tables.xls; T26 Whse Invent.; 9/2/2008

**TABLE 27**  
**HISTORIC SILICON VALLEY WAREHOUSE MARKET TRENDS**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**

(000s)

<b>HISTORIC TRENDS</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Santa Clara</b>					
Gross Absorption	1,010	182	189	521	353
Net Absorption	5	(136)	32	170	66
Vacancy Rate	-			4.4%	2.7%
<b>Sunnyvale</b>					
Gross Absorption	519	126	301	92	21
Net Absorption	(92)	(16)	154	-	(55)
Vacancy Rate	-			0.0%	3.0%
<b>North San Jose</b>					
Gross Absorption	994	1,092	1,815	1,424	1,106
Net Absorption	31	134	173	445	281
Vacancy Rate	-			6.5%	3.6%
<b>South San Jose</b>					
Gross Absorption	469	1,025	1,595	373	555
Net Absorption	176	(382)	689	32	275
Vacancy Rate	-			5.8%	1.5%
<b>Morgan Hill / Gilroy</b>					
Gross Absorption	-	78	274	47	97
Net Absorption	(210)	(122)	103	(14)	86
Vacancy Rate	-			12.5%	9.1%
<b>Milpitas</b>					
Gross Absorption	119	965	936	1,098	1,119
Net Absorption	1	181	183	260	(10)
Vacancy Rate	-			5.5%	5.7%
<b>Fremont</b>					
Gross Absorption	930	2,151	1,393	1,460	326
Net Absorption	406	579	188	190	119
Vacancy Rate	42			8.8%	7.4%
<b>Newark</b>					
Gross Absorption	217	619	390	614	351
Net Absorption	(225)	(56)	172	(39)	24
Vacancy Rate	-			15.7%	15.1%
<b>GROSS ABSORPTION</b>	<b>4,655</b>	<b>6,238</b>	<b>6,895</b>	<b>5,628</b>	<b>3,926</b>
<b>NET ABSORPTION</b>	<b>273</b>	<b>182</b>	<b>1,693</b>	<b>1,045</b>	<b>786</b>
<b>VACANCY RATE</b>			<b>9.7%</b>	<b>7.4%</b>	<b>5.7%</b>

Source: BT Commercial, 4th Quarter 2007

Keyser Marston Associates, Inc.

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**TABLE 28**  
**PROJECTED WAREHOUSE SPACE DEMAND (2008 to 2035)**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**

	<u>Est. 2008</u>	<u>2035</u>	
Projected Santa Clara County All Jobs (ABAG '07)	912,142	1,365,810	
<i>Increase</i>		453,668	
<b>Projected Warehouse Jobs in Santa Clara County <sup>1</sup></b>		<b>25,900</b>	<b>6%</b>
Wholesale Trade	4.4%	19,961	
Transportation and Warehousing	1.3%	5,898	
Warehouse Space per Employee	@ 800 SF/Emp.		
<b>Total Santa Clara County Warehouse Space Demand</b>		<b>20,720,000 SF</b>	
<b>Estimated City Share of Warehouse Office Space <sup>2</sup></b>	12%	<b>2,563,000 SF</b>	
Plus: Vacancy Allowance	5%	128,150 SF	
<Less> Total Existing Available Space <sup>3</sup>		(172,572) SF	
<b>Total Estimated Warehouse Demand (2008 to 2035)</b>		<b>2,518,578 SF</b>	
<Less> Major Proposed/Planned Space in City <sup>4</sup>			
Station Area Plan <sup>5</sup>	Est.	0 SF	
Downtown Plan <sup>5</sup>		0 SF	
Remainder of City <sup>6</sup>		0 SF	
Total Major Proposed/Planned Space		0 SF	
<b>NET ESTIMATED CITY SHARE OF WAREHOUSE SPACE DEMAND (2008 to 2035)</b>		<b>2,346,006 SF</b>	

<sup>1</sup> Based on EDD's March 2008 preliminary Industry Employment & Workforce Information for San Jose-Sunnyvale-Santa Clara MSA.

<sup>2</sup> Based on City of Santa Clara's approximate share of existing office space inventory in county.

<sup>3</sup> Includes direct and sublease space as estimated by NAI BT Commercial for 1st Qtr. 2008.

<sup>4</sup> Not including the Edenvale Technology Park or Rincon de Los Esteros master plans, which include R&D/office/mfg. space.

<sup>5</sup> Per Dyett & Bhatia.

<sup>6</sup> Based on data prepared by City of Santa Clara City Planning and Dyett & Bhatia.

TABLE 29.

ESTIMATED 2007 WORKPLACE POPULATION<sup>1</sup>  
 SANTA CLARA GENERAL PLAN UPDATE  
 CITY OF SANTA CLARA, CA

Employment - by Occupation	City of Santa Clara		County of Santa Clara		City of San Jose	
	Total	% Total	Total	% Total	Total	% Total
Executive & Professional	40,611	32%	349,558	34%	146,021	34%
Administration & Support	34,809	28%	296,195	29%	123,511	29%
Service Personnel	9,801	8%	113,341	11%	50,536	12%
Trade & Labor						
Construction	5,312	13%	36,736	14%	16,633	15%
Installation & Repair	8,685	21%	68,281	26%	29,088	26%
Craft Production	5,879	14%	31,353	12%	12,658	11%
Machine Operators	5,612	14%	27,560	10%	10,420	9%
Assemblers	5,280	13%	25,791	10%	9,563	9%
Transportation	4,332	11%	28,696	11%	13,093	12%
Agriculture	1,107	3%	12,681	5%	5,689	5%
Laborers	4,848	12%	32,278	12%	14,443	13%
Total Trade & Labor	41,055	100%	263,376	100%	111,587	100%
City of Santa Clara as % of County		33%	16%	26%	42%	26%
City of San Jose as % of County						
<b>TOTAL EMPLOYMENT</b>	<b>126,276</b>	<b>100%</b>	<b>1,022,470</b>	<b>100%</b>	<b>431,655</b>	<b>100%</b>
City of Santa Clara as % of County			12%		42%	
City of San Jose as % of County						

<sup>1</sup> Based on Claritas estimates.

**TABLE 30a**  
**INDUSTRIAL AREA 1**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**

Existing Land Use <sup>1</sup>	No. of Parcels	%	Estimated Building SF	%	Estimated Land Acres	%	F.A.R.	Total Assessed		Assessed Value/Ac.	%
								Value			
Heavy Industrial	133	18.1%	6,837,723	27.4%	463.9	25.1%	0.34	\$ 869,250,417	\$	1,873,716	26.9%
Light Industrial	282	38.4%	9,423,149	37.7%	614.2	33.3%	0.35	\$ 991,092,870	\$	1,613,517	30.7%
Office	85	11.6%	4,725,250	18.9%	287.9	15.6%	0.38	\$ 705,790,292	\$	2,451,758	21.8%
R&D	31	4.2%	2,317,340	9.3%	133.5	7.2%	0.40	\$ 399,477,729	\$	2,992,629	12.4%
Community Commercial	48	6.5%	756,051	3.0%	59.2	3.2%	0.29	\$ 90,888,093	\$	1,534,189	2.8%
Service Commercial	32	4.4%	358,460	1.4%	46.1	2.5%	0.18	\$ 60,066,936	\$	1,301,737	1.9%
Tourist/Visitors	3	0.4%	312,925	1.3%	6.2	0.3%	1.15	\$ 43,688,313	\$	6,993,603	1.4%
Residential	32	4.4%	67,159	0.3%	7.3	0.4%	0.21	\$ 8,784,960	\$	1,196,181	0.3%
Public/Institutional	32	4.4%	93,506	0.4%	123.3	6.7%	0.02	\$ 6,127,166	\$	49,708	0.2%
Parking Lot	4	0.5%	0	0.0%	6.2	0.3%	-	\$ 5,419,593	\$	874,575	0.2%
Parks/Recreation	4	0.5%	68,700	0.3%	10.3	0.6%	0.15	\$ 21,497,242	\$	2,092,771	0.7%
ROW	25	3.4%	28,570	0.1%	30.5	1.6%	0.02	\$ -	\$	-	0.0%
Canal	10	1.4%	0	0.0%	24.0	1.3%	-	\$ -	\$	-	0.0%
Vacant	14	1.9%	0	0.0%	34.1	1.8%	-	\$ 29,039,898	\$	851,595	0.9%
<b>TOTAL</b>	<b>735</b>	<b>100.0%</b>	<b>24,988,833</b>	<b>100.0%</b>	<b>1,846.8</b>	<b>100.0%</b>	<b>0.31</b>	<b>\$ 3,231,123,509</b>	<b>\$</b>	<b>1,749,608</b>	<b>100.0%</b>

<sup>1</sup> Based on data provided by Dyett & Bhatia.

**TABLE 30b**  
**INDUSTRIAL AREA 2**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**

Existing Land Use <sup>1</sup>	No. of Parcels	%	Estimated Building SF	%	Estimated Land Acres	%	F.A.R.	Total Assessed		Assessed Value/Ac.	%
								Value	Total		
Heavy Industrial	24	7.9%	179,343	2.8%	40	9.6%	0.10	\$ 37,378,934	\$ 942,002		6.3%
Light Industrial	238	78.5%	4,998,173	79.4%	298	72.1%	0.38	\$ 402,567,190	\$ 1,350,195		67.6%
Office	10	3.3%	202,550	3.2%	10	2.5%	0.45	\$ 28,669,251	\$ 2,782,146		4.8%
R&D	7	2.3%	233,420	3.7%	14	3.5%	0.37	\$ 33,407,332	\$ 2,312,081		5.6%
Community Commercial	6	2.0%	394,425	6.3%	15	3.6%	0.60	\$ 26,329,287	\$ 1,751,032		4.4%
Service Commercial	5	1.7%	94,239	1.5%	9	2.1%	0.25	\$ 8,396,809	\$ 972,765		1.4%
Residential	1	0.3%	1,368	0.0%	0	0.1%	0.11	\$ 247,715	\$ 867,134		0.0%
Public/Institutional	8	2.6%	190,662	3.0%	26	6.4%	0.17	\$ 58,185,638	\$ 2,211,741		9.8%
Parking Lot	1	0.3%	3,465	0.1%	0	0.1%	0.19	\$ 488,634	\$ 1,177,758		0.1%
ROW	2	0.7%	-	0.0%	0	0.1%	0.00	\$ -	\$ -		0.0%
Vacant	1	0.3%	-	0.0%	0	0.0%	0.00	\$ 3,600	\$ 76,238		0.0%
<b>TOTAL</b>	<b>303</b>	<b>100.0%</b>	<b>6,297,645</b>	<b>100.0%</b>	<b>413.6</b>	<b>100.0%</b>	<b>0.35</b>	<b>\$ 595,674,390</b>	<b>\$ 1,440,305</b>		<b>100.0%</b>

<sup>1</sup> Based on data provided by Dyett & Bhatia.

**TABLE 31**  
**HOTEL TRENDS BY SELECTED SUBMARKETS - 2000 to March of 2008<sup>1</sup>**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**

	2000	2001	2002	2003	2004	2005	2006	2007	Ending March 2008	Change (2000 - 2007) Total %	
<b>AVERAGE DAILY ROOM RATE:</b>											
<b>Santa Clara/Peninsula Sub-Market</b>	<b>\$164.26</b>	<b>\$152.04</b>	<b>\$121.58</b>	<b>\$106.69</b>	<b>\$103.32</b>	<b>\$110.50</b>	<b>\$126.81</b>	<b>\$137.70</b>	<b>\$148.66</b>	<b>(\$26.56)</b>	<b>-16%</b>
<b>Selected Sub-Markets</b>											
San Francisco Airport	\$142.84	\$125.24	\$96.59	\$87.84	\$82.32	\$91.94	\$103.55	\$114.00	\$125.82	(\$28.84)	-20%
San Francisco (Excl. Airport)	\$169.74	\$188.29	\$145.74	\$144.81	\$145.54	\$156.55	\$170.21	\$182.28	\$197.77	\$12.54	7%
<b>Northern California Market</b>	<b>\$151.71</b>	<b>\$138.16</b>	<b>\$120.16</b>	<b>\$113.46</b>	<b>\$117.11</b>	<b>\$122.95</b>	<b>\$134.50</b>	<b>\$143.76</b>	<b>\$147.58</b>	<b>(\$7.95)</b>	<b>-5%</b>
<b>AVERAGE OCCUPANCY RATE:</b>											
<b>Santa Clara/Peninsula Sub-Market</b>	<b>79.3%</b>	<b>60.7%</b>	<b>58.3%</b>	<b>55.6%</b>	<b>55.8%</b>	<b>61.6%</b>	<b>68.2%</b>	<b>70.7%</b>	<b>69.8%</b>		<b>-8.6%</b>
<b>Selected Sub-Markets</b>											
San Francisco Airport	82.8%	64.7%	58.6%	61.2%	70.9%	74.8%	74.2%	72.9%	71.9%		-9.9%
San Francisco (Excl. Airport)	81.7%	67.0%	64.6%	68.1%	73.4%	75.7%	75.6%	77.9%	73.2%		-3.8%
<b>Northern California Market</b>	<b>78.7%</b>	<b>65.5%</b>	<b>63.5%</b>	<b>63.7%</b>	<b>67.6%</b>	<b>70.4%</b>	<b>71.3%</b>	<b>72.7%</b>	<b>68.2%</b>		<b>-6.0%</b>
<b>NORTHERN CALIFORNIA MARKET MIX:</b>											
Leisure	25.5%	40.0%	29.9%	29.1%	32.6%	28.5%	32.4%	38.7%	32.1%		-7.9%
Commercial	38.4%	31.6%	35.8%	38.6%	37.8%	46.5%	40.5%	35.3%	35.4%		3.8%
Group	27.3%	17.3%	21.1%	15.9%	15.3%	12.0%	16.4%	17.6%	24.9%		7.6%
Other	8.8%	11.1%	13.3%	16.4%	14.2%	12.9%	10.7%	8.4%	7.6%		-3.5%

<sup>1</sup> From PKF Consulting Monthly Reports, from 2000 to March 2008.

**TABLE 32a**  
**FULL-SERVICE HOTELS WITHIN APPROX. 5 MILES OF DOWNTOWN SANTA CLARA**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**

<b>Name Address</b>	<b>Facility Type</b>	<b>Number of Rooms</b>
Biltmore Hotel & Suites/Silicon Valley 2151 Laurelwood Road, Santa Clara	Full Service	263
Hilton Santa Clara 4949 Great America Parkway, Santa Clara	Full Service	280
Woodcrest Hotel 5415 Stevens Creek Blvd., Santa Clara	Full Service	60
Doubletree Hotel San José 2050 Gateway Place, San José	Full Service	505
The Fairmount San José 170 S. Market St., San José	Full Service	805
The Grand Hotel 865 W. El Camino Real, Sunnyvale	Full Service	104
Hilton San José 300 Almaden blvd., San José	Full Service	354
Hyatt San Jose 1740 North First Street, San José	Full Service	512
Marriott San José	Full Service	506
Radisson Plaza Hotel, San Jose Airport 1471 North Fourth Street, San José	Full Service	196
Wyndham Hotel San Jose 1350 North First Street, San José	Full Service	355
<b>TOTAL Full Service</b>		<b>3,940</b>

**Notes:**

Sources: Hotel & Travel Index, <http://www.hotelandtravelindex.com>

**TABLE 32b**  
**SUITE HOTELS WITHIN APPROX. 5 MILES OF DOWNTOWN SANTA CLARA**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**

<b>Name Address</b>	<b>Facility Type</b>	<b>Number of Rooms</b>
Embassy Suites Hotel 901 E. Calaveras, Milpitas	Suites	266
Homestead Studio Suites 330 Cypress Drive, Milpitas	Suites	161
Staybridge Suites 321 Cypress Drive, Milpitas	Suites	90
Homewood Suites by Hilton 10 W. Trimble Road, San José	Suites	140
Candlewood Suites 481 El Camino Real, Santa Clara	Suites	122
Embassy Suites Hotel 2885 Lakeside Drive, Santa Clara	Suites	257
Hawthorn Suites Limited 2455 El Camino Real, Santa Clara	Suites	97
The Plaza Suites 3100 Lakeside Drive, Santa Clara	Suites	220
Residence Inn by Marriott-Silicon Valley 1 750 Lakeway, Sunnyvale	Suites	231
Residence Inn by Marriott - Silicon Valley 2 1080 Stewart Drive, Sunnyvale	Suites	247
Woodfin Suite Hotel 635 E. El Camino Real, Sunnyvale	Suites	88
<b>TOTAL Suites</b>		<b>1,919</b>

**Notes:**

Sources: Hotel & Travel Index, <http://www.hotelandtravelindex.com>

**TABLE 32c**  
**LIMITED SERVICE HOTELS WITHIN APPROX. 5 MILES OF DOWNTOWN SANTA CLARA**  
**SANTA CLARA GENERAL PLAN UPDATE**  
**CITY OF SANTA CLARA, CA**

<b>Name</b>	<b>Facility Type</b>	<b>Number of Rooms</b>
<b>Address</b>		
Cupertino Inn 10889 N. DeAnza Blvd, Cupertino	Limited Service	125
Best Western Brookside Inn 400 Valley Way, Milpitas	Limited Service	78
Holiday Inn Silicon Valley 399 Silicon Valley Blvd, San Jose	Limited Service	208
Hanford Hotel 1755 N. First St, San Jose	Limited Service	186
Holiday Inn Express - San Jose Int'l Airport 1350 N. Fourth Street, San Jose	Limited Service	126
Best Western Gateway Inn 2585 Seaboard Ave, San Jose	Limited Service	150
Best Western Airport Plaza 2118 The Alameda, San Jose	Limited Service	40
Best Western San Jose Lodge 1440 N. 1st Street, San Jose	Limited Service	75
Days Inn Airport 1280 N. 4th Street, San Jose	Limited Service	61
Best Western Inn Santa Clara 4341 El Camino Real, Santa Clara	Limited Service	52
Holiday Inn Great America 4200 Great America Parkway, Santa Clara	Limited Service	167
Howard Johnson Express Inn - Santa Clara 2499 El Camino Real, Santa Clara	Limited Service	31
Mariani's Inn 2500 El Camino Real, Santa Clara	Limited Service	143
Santa Clara Days Inn 859 El Camino Real, Santa Clara	Limited Service	43
Best Western Sunnyvale Inn 940 Weddell Drive, Sunnyvale	Limited Service	88
Quality Inn Sunnyvale 1280 Persion Drive, Sunnyvale	Limited Service	72
Ramada Inn Silicon Valley 1217 Wildwood Avenue, Sunnyvale	Limited Service	176
Sundowner Inn 504 Ross Drive, Sunnyvale	Limited Service	105
Wild Palms Hotel 910 E. Fremont Ave, Sunnyvale	Limited Service	208
<b>TOTAL Limited Service</b>		<b>2,134</b>

**Notes:**

Sources: *Hotel & Travel Index*, <http://www.hotelandtravelindex.com>; ABAG, [www.abag.gov](http://www.abag.gov)





